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# THE SPIRIT OF INDUSTRIAL RELATIONS

*The Perin Memorial Lectures delivered  
at Jamshedpur in December 1946*

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With a Foreword

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## *Introduction*

**T**RADER Unionism in India is now rapidly emerging from childhood into manhood. Although there were some organizations for promoting the welfare of workers before the first World War especially in Bombay, the real trade union spirit was born as a result of the labour unrest following the aftermath of World War I. The Madras Labour Union and the Textile Labour Association of Ahmedabad were among the first important labour organizations started during that period, and since then we have had a rapidly growing number of trade unions of a large variety of employees ranging from municipal sweepers to Government servants. The birth of the movement was quite natural in the circumstances and conditions then existing. In the days before 1914, labour, though illiterate and inefficient, was cheap and plentiful. Accustomed to a low standard of living, the workers did not feel the urge of demanding more wages and better conditions of work. They did not even know how much their work contributed to the profits of their employers who in many cases took full advantage of their apathy and ignorance. But the high profits made during the boom period, and the subsequent depression in industry, generated a feeling of unrest and discontent among the workers. Even then they were not able to raise their heads against their employers for fear of losing their employment. In this state of things it was inevitable that without outside help they would not be able to organize and press their demands on their masters. Such help was not long in

coming. It came partly from men imbued with a desire to work only for social service and partly from persons who wanted to create a new social order by destroying capitalism and substituting the workers' *raj*.

The first piece of labour legislation was enacted in 1926 in the form of the Indian Trade Unions Act, and about thirty trade unions were registered soon after in different provinces with a total membership of nearly a lakh of workers, most of whom were from the cotton textile industry. With the growth of industries the trade union spirit also grew. In 1944-5, the latest year for which figures are available, there were 865 registered unions in British India ; only 573 filed their returns, showing a membership of about 890,000 workers. During the last two years the widespread industrial unrest throughout the country has added to the number of trade unions with a considerable rise in membership. Trade unionism is thus fast becoming a potent force in the industrial life of our country. In many respects it is following the lines which trade unions have taken in Western and other highly industrialized countries. The activities of our trade unions in recent years, culminating in mass strikes, have led to the establishment of institutions of industrial relations such as courts of inquiry, machinery for conciliation and adjudication of disputes, arbitration tribunals and industrial courts. Such institutions have now been fairly well established in highly industrialized countries and are working on the basis of legislative enactments as well as on certain principles of what has come to be regarded as Industrial Jurisprudence. A knowledge of these principles and their application to the

peculiar needs and circumstances of a country are essential for the adjustment of industrial relations to the problems of each country according to its stage of industrial advancement.

It is from this standpoint that all those who are interested in industrial relations in India should welcome the publication of this book, based on seven lectures by Professor Kirkaldy in the series of Perin Memorial Lectures under the auspices of the Tata Iron and Steel Co. Ltd at Jamshedpur. No better authority on this subject than Professor Kirkaldy could have been chosen. He is Professor of Industrial Relations in the University of Cambridge and has intimate knowledge of all the varied aspects of this subject. He has treated it in a very sound, practical and unbiased manner and the principles which he has expounded deserve to be appreciated and followed by all those who have to deal with the management of labour in India. I propose to discuss them generally with special reference to their application to the present stage of industrial relations in our country.

In his first lecture, on *The Spirit of Industrial Relations* the author rightly begins by emphasizing the fact that, although there are 'certain fundamentals at the basis of industrial relations which are common to all countries and all stages of industrialization', it is important to avoid a 'slavish imitation of the methods and procedures of other peoples and other times without first examining... whether the method and procedure are the best suited to the stage of industrial and political development' of a particular country. At another place he says that there is 'no greater fallacy than to assume that

by some alteration in the ownership and control of industry—whether that ownership and control be public or private—the problems of industrial relations can be solved overnight’. This warning is necessary for industrially young countries like India where political democracy is still in its early stage of growth. No two countries are in the same stage of industrial and political development, and the method of improving industrial relations which has been successfully established in one country may not find fruitful soil in another. A prominent example is the difference in the method of solving industrial disputes between employers and workers in the two highly industrialized democracies, Britain and the United States. The practical genius of the British people, with the accumulated political experience of centuries, has made trade unionism a power in the country without going through the acute industrial strife and bitterness which we are witnessing between the trade unions and the employers in the immensely rich but politically young United States of America.

The state of industrial relations in a country is intimately connected with the form of its political government and the objectives of an industrial organization may vary from purely economic to purely political ends. These objectives may be roughly divided into four : (1) improving the economic condition of workers in the existing state of industrial management and political government, (2) control by the state over industries to regulate production and industrial relations, (3) socialization or nationalization of industries by making the state itself the employer, and (4) vesting the proprietorship

of the industries in the workers. These four objectives cover a wide field of various economic regimes from capitalism to communism. How far such objectives can be pursued as political ends by trade unions has been the subject of controversy in advanced countries. Professor Kirkaldy observes that the general trend of opinion is that trade unionism should have the industrial object of cooperation within the existing economic order whatever that may be and that it should reserve for its political objects, to be achieved by political methods, any changes in that economic order which it regards as essential to the ultimate well-being of the workers. At the same time he gives a warning that political objectives may be a source of disunity to the trade union movement and he concludes that 'the pursuit of political objectives is an essential of trade unionism but, if that pursuit involves the formation of a political party, great safeguards and greater restraint are necessary to avoid the pursuit becoming a source of disunity among the workers'. He has given the existing trade unionism in the United States as an example of this statement. To India it teaches a great lesson.

Politically we are passing from foreign domination to independence with adult franchise ; economically we are passing from capitalism to socialism. But our workers, industrial as well as agricultural, have still to become literate and intelligent enough to form their own views of what they want and the best method to get it, as well as to lead and guide their own organizations without any outside help. As Professor Kirkaldy observes : 'While honour is due to those disinterested persons who



so unselfishly give of their time and their substance for the betterment of the conditions of the working class, the alliance is rarely an entirely happy or a permanent one and it is rare to find a stable and established trade union movement until it becomes a movement not only for but of the workers'. Until this stage comes in India, trade unions will have to remain under tutelage like minors in law, and the state must remain as their guardian. With the growth of education, a sense of duty and responsibility among the workers and the capacity to run their own organizations, they will become increasingly capable of conducting collective bargaining with the employers and of being a political force in the modern machinery of government.

The advice which Professor Kirkaldy has given to workers deserves careful consideration. He has advised the worker to choose his leaders wisely and be willing to honour the agreements they make on his behalf; regard his trade union as a long-term proposition not to be abandoned if it fails to produce him an advance in wages every six months or so ; and not to use the weapon of industrial warfare for the achievement of political aims. The apprehension of disunity by the pursuit of merely political ends has already disrupted the ranks of workers in India and has resulted in reducing industrial relations to the lower level of American trade unionism instead of keeping them on the high level of the British system. The responsibility for this, however, does not lie wholly with the trade union leaders but it lies partly with the employers who have till recently shown little inclination to recognize and help trade unions

and have relied on the government to thwart their activities. There have been exceptions on both sides. The Textile Labour Association of Ahmedabad is a prominent example of such exceptions among trade unions. Without any Government help, it has succeeded in organizing labour on sound trade union principles and in averting strikes by inducing the employers to agree to arbitration. Guided by Mahatma Gandhi in its formative period, it has inculcated a sense of discipline and responsibility among its members and thereby increased its bargaining strength.

The Trade Unions Act of 1926 and the Trade Disputes Act of 1929 were the first laws made by the Government of India to recognize the organization of labour and to encourage the settlement of disputes by conciliation, courts of inquiry and adjudication. The Trade Unions Act merely recognized for purposes of registration unions which fulfilled certain conditions about their membership and the application of their funds. The only substantial rights which they got were the right to conduct trade disputes, give financial and educational facilities to their members and their dependents, maintain a civil and political fund for election and other expenses, and certain exemptions from civil and criminal liabilities. The Trade Disputes Act provided for settlement of disputes by conciliation and adjudication but it did not go far enough to prevent strife and strikes. The first serious attempt to recognize trade unions commanding the confidence of workers and to create permanent machinery for the settlement of disputes was made by the Government of Bombay in 1938 by enacting a

comprehensive Industrial Disputes Act which has worked fairly well during the last nine years. The measure was not without its defects and, in the light of experience gained during these years, it has now been replaced by the Industrial Relations Act which is shortly going to come into force. In the meanwhile the Government of India has also enacted this year an Industrial Disputes Act setting up Conciliation Boards, Courts of Inquiry and Industrial Tribunals for the Central as well as Provincial Governments. Another measure for enlarging the rights of recognized trade unions by giving them the right to negotiate with the employers is being enacted by the Central Government.

By reason of all these enactments, Indian labour has secured a charter which can be of great help in removing its grievances and raising its standard of living without needless dislocation of our industries. But like all legislation, success depends not on the letter of the law but on the spirit shown by all parties in its working. No industrial legislation can achieve its purpose by frequent resort to penal provisions. The human factor is so predominant in industrial relations that, unless problems are tackled on the psychological rather than on the legislative plane, there is always a danger of misunderstanding and mistrust even with the best of motives. The leaders of industry as well as of trade unions should have opportunities to discuss their problems with an open mind, and the third party, whether it is the state or the arbitrator, should adopt methods of clearing doubts, suspicions and misapprehensions as well as of tactful persuasion before taking enforceable decisions. The principle of voluntary agree-

ments or arbitration in industrial disputes is much more conducive to the improvement of industrial relations than compulsory adjudication or arbitration. It is, indeed, unfortunate that, although the voluntary principle was adopted in the Bombay Industrial Disputes Act, it had to be abrogated during the recent war and arbitration was made compulsory under certain circumstances. In the recently enacted Industrial Disputes Act of the Central Government too, compulsory adjudication by the Industrial Tribunal is provided for any industrial dispute. Such compulsory measures may be necessary during the stress of war and there was a similar enactment in Britain also to speed up production during war-time, but its extension to ordinary disputes in normal times is not conducive to the promotion of happy relations between employers and workers and may, in certain circumstances, lead to a breach of the industrial peace by mass strikes which defy the penalties of the law and paralyse the administration of law and order. As Professor Kirkaldy rightly observes, even voluntary arbitration is 'a poor substitute for mutual agreement' as an industrial arbitrator who is not an expert 'finds himself rather in the position of a law-giver than a law-interpreter'. But compulsory arbitration is a still worse substitute as a willing spirit cannot be inculcated by an act of legislature. Professor Kirkaldy further observes that if the people are sufficiently trained to repose confidence in the awards of the Arbitration Court and working-class opinion is prepared to take the unfavourable decisions as well as the favourable decisions, the method of compulsory arbitration may succeed; but if the organized

workers are not prepared to renounce the weapon of the strike and the law has not the support of public opinion, the law which endeavours to enforce compulsory arbitration will be brought into contempt.

Here again the comparison between British and American methods has a great lesson for our country. Professor Kirkaldy says that 'Britain has been singularly fortunate in achieving the fundamental objective of trade union recognition without the necessity for such legislation and the hopes of any country for harmonious industrial relations will be higher if mutual confidence between employers and workers is such as to enable satisfactory bargaining arrangements to be established by voluntary agreement rather than by legal compulsion.' The opinion of an American labour leader on this point is worth quoting. In his article on 'A comparison of the American and British systems of Industrial and Labour Relations', Mr John P. Frey, President of the Metal Trades Department of the American Federation of Labor, says : 'The industrial friction which flares up so prominently in our country [America] has been due principally to the employers' opposition to the acceptance of trade unionism as a definite part of our industrial system. It has been due to the employers' opposition to the existence of trade unions in the plant, on the one hand, and an unwillingness to freely meet the representatives of organized employees around the conference table. Had American industry indicated the same willingness to deal with organized labour which has been shown in Great Britain, the division would never have occurred.' Our Governments will do well to

take lessons from the experience of these two great countries by promoting the voluntary principle as much as possible and resorting to compulsory adjudication only in cases of grave apprehension of public disorder.

One frequent cause of disputes between employers and workmen especially in big industries is the method of apportioning wages to the nature and amount of work done. Professor Kirkaldy has discussed this topic in his lecture on Incentives in Industry and, after discussing the difficulties of calculating and altering piece-work rates, he has come to the conclusion that from the standpoint of maximizing production and ensuring the maximum utilization of modern plant, payment by results under the system of straight pieceworks is the most acceptable, but that no form of incentive, individual or collective, should be neglected. Production bonuses and profit-sharing schemes are the best of these incentives of a collective nature. The application of such incentive schemes in India is one of the most important but complicated problems which the employers have to face.

In big industries conducted with the most up-to-date machinery, the amount of profit depends on maximum output with minimum cost. The employer naturally wants to produce this result by resorting to rationalization and multiple shifts. His interest lies in employing the least number of workers and taking the maximum work from them. He finds it in his interest to pay the worker production, efficiency and regular attendance bonuses, but he is reluctant to pay a profit bonus unless compelled to do so. The working class as a whole looks

upon rationalization as a device to sweat labour without improving the working conditions and as a cause of unemployment. In the enervating climate of several parts of India the worker is not inclined to be very energetic and likes to earn more by getting higher rates of wages than by working for a production or efficiency bonus. He is more keen to get a profit bonus than any other kind of bonus. One of the biggest problems which the employers have to tackle is how to produce incentives in the minds of workers to do their best in increasing production. This can only be done, as Professor Kirkaldy has observed, by making the worker realize that his interest is identical with that of the industry and that, to the extent that he contributes his labour, he is entitled to a share in the profits which are partly due to his contribution. For such a realization, the worker must be able to form his own judgement and his standard of intelligence must be developed to appreciate the incentives offered to him. He should also be made to realize that profit-sharing implies cooperation in profit-making. It is a welcome sign of the times that the employers in India are beginning to realize this. The experiment in profit-sharing which the Tata Iron and Steel Company has recently put into effect at Jamshedpur will be watched with interest throughout India.

The lectures on Social Security and Joint Consultation in Industry contain valuable suggestions which the Government and employers in India will find worth adopting. The Central Government has before it several schemes of social security for workers and there is no doubt that when political conditions settle down in

India, no popular Government can afford to neglect the introduction of these measures. But before introducing all these beneficent measures the prime necessity at the present day is to raise the wages of workers as much as possible to a living wage standard, which, as Professor Kirkaldy observes, is a first charge on industry. The theory of the vicious circle in which wages and prices chase each other does not, as the Central Pay Commission has remarked in its recent report, apply to cases where the wages have not reached the living wage standard. No doubt, a policy of deflation combined with increased production of articles of necessity should be vigorously launched by Government but, side by side with it, the workers should be given sufficient incentives for earning more by raising production. Trade union leaders ought to give all the help that they can in obtaining this result. A study of Professor Kirkaldy's lectures will convince any trade unionist who has the welfare of the industry and of the country at heart that, while agitating for improving the workers' wages and working conditions, it is necessary to bring home to the workers that the country's salvation including their own lies in production, and still more production, in the extraordinary circumstances prevailing at the present day.

With the advent of political independence, India is at the political and economic cross-roads. It has already turned its face towards the road of economic socialism and, if it travels along that road, as appears very likely from the present trends, it behoves all three parties to industrial progress—the state, employers and employees—to see that the journey along that road is smooth



enough not to throw the industrial vehicle out of gear. If the methods of travel adopted by the Western countries are to be followed, they should see that the vehicle does not fall into the pitfalls of the American and French methods but travels along the much less rough road of the British method of voluntary and collective bargaining. This method necessarily means educative training, mutual trust and practical wisdom as well as putting social and national above individual and selfish ends. I am sure that Professor Kirkaldy's instructive lectures will throw illuminating light on the road of industrial progress for a smooth and rapid journey to the goal of social security and prosperity.

H. V. DIVATIA

*Bombay, 1 September, 1947*

## *First Lecture*

# THE SPIRIT OF INDUSTRIAL RELATIONS

**M**odern industry provides perhaps the clearest demonstration of the need for our knowledge of our fellow men to keep pace with our inventive genius ; for our skill in the governance of ourselves to equal our mastery over material things. Inventive genius harnesses material forces but does not control human impulses. The harvesting of the fruits of inventive genius depends on human cooperation. The inventor and the scientist have sought for mankind a short and easy road eliminating the inhuman toil which has been the condition of a meagre sufficiency and opening the way to plenty and eventually even to abundance. The path which the scientist and the technician have opened up towards man's goal of material well-being, if it is not yet entirely smooth, is at least a road which, once trod, is well remembered. The pioneer can pass on his knowledge not only to his own generation and people ; his methods are of universal application and accrue to the benefit of all mankind and of succeeding generations. He has blazed a trail which opens to the peoples of all nations and of all times the prospect of a fuller and better existence in which man shall not be condemned to drudgery and toil for all the days of his life ; in which he may have the opportunity and the means to cultivate his own soul. The promise of so rich

a reward is indeed worth the effort in human co-operation still needed for its realization.

While more honour is perhaps due than is commonly ascribed to the industrial pioneer, we do well to remember that his very success has brought in its trail the problems in human relations which we are still so far from having solved. These problems are many and not the least of them is the problem of industrial relations. In some ways these problems—and this is certainly true of industrial relations—are more difficult of solution than those which faced the industrial pioneer of the past and which still face the scientist, the chemist, the physicist and the technician of today. The answers to these problems of human relations are not of universal application either in space or in time. The solutions or the expedients of today may be worse than useless tomorrow. The lessons which have been learned in one country may be incapable of application in another. The progress which has been made today or here does not necessarily provide a basis for further advance tomorrow or in another land. Human relations—and again in particular industrial relations—are inescapably bound up not only with the history of each people and the history of its civilization but also with the changing ideas of each people as to morality, political progress and the science of government.

What is true of one country today is not necessarily true of the same country tomorrow; still less is it necessarily true of another country either now or in the future. Industrial relations have something in common with, and certainly are in no small measure conditioned by, political institutions. One lesson in regard to political

institutions which recent generations have learned is the difficulty and the danger of endeavouring to impose a common pattern at all times and in all places on the form of political institutions without regard to considerations of historical development, racial origins, and religious beliefs.

The argument hardly needs development and in illustration it is not necessary to take extreme cases ; it is not necessary to compare Afghanistan or Abyssinia with America. Possibly the two countries which are closest in ancestry and thought are the United States of America and Britain ; yet any student of politics realizes the great gulf which exists between their respective systems of government. In the field of industrial development they have much in common, but their methods in regard to industrial relations are in many respects entirely dissimilar. What works and works reasonably well in Britain has failed in the United States ; methods which have been tried and which have succeeded in the United States would undoubtedly fail in Britain.

This is not said to convey to you the impression that, because I am not an expert on the history of India, its racial and religious problems, I believe my visit to India and my lectures to you on the subject of industrial relations are entirely pointless and can serve no useful purpose. On the contrary, I believe that there are certain fundamentals at the basis of industrial relations which are common to all countries and all stages of industrialization ; there are certain lessons to be learned from the mistakes and successes of other countries. What, however, it is important to avoid is slavish imitation of the methods

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and procedures of other peoples and other times without first examining whether the problem which they are designed to handle is the same problem as now exists in one's own time and one's own country and whether the method and procedure are the best suited to the stage of industrial and political development.

In a sense, problems of industrial relations arise as soon as man emerges from the state in which he is wholly self-sufficing and ceases himself to cater for his own needs. Division of labour in its most primitive form gives rise to problems of industrial relations. The hunter who barter the spoil of the chase for the primitive product of the village artisan is, in a sense, the employee of the artisan as he is also his employer. It is more fitting, however, to regard these as the origins of the problems of commercial relations than of industrial relations.

In primitive industry, conducted in conditions other than those of slavery, the worker was the owner, not only of his labour, but also commonly of both the instruments and materials of production. He worked in his own home, with his own hands or with machines or tools which he owned himself, on materials which were his own property, and he disposed himself of the product of his labour. At different times and in different countries that pattern varied, but in general the primitive workman was an independent producer, neither employing nor employed for a wage. He sold his product rather than his labour. There is a tendency sometimes and in some quarters to idealize the life of primitive communities, to depict as a golden age an era which lacked the complications of the life of our times, to forget the pain, the toil, the tyranny,

the suffering, the hunger, the insecurity, above all the narrowness of the life in such conditions—in short, by a species of escapism, to seek to avoid rather than solve the problems which the advance of science and scientific methods has brought in its train along with all its benefits. The primitive workman—the independent producer—had his problems, and few in modern times, despite the complications of modern existence, would care to face them, but they were not the problems of industrial relations.

The problems of industrial relations arise with and from the divorce of the worker from the ownership of the instruments and materials of production. The worker becomes a wage-earner; his employer becomes the owner of the instruments and materials of production and of the product. The obvious elements of a conflict of interest exist between the employer who wishes to buy labour cheaply and the worker who wishes to sell it dearly. The whole problem of industrial relations can be very shortly stated as the devising of means to reconcile that conflict of interest. The sense of deprivation which has resulted from loss of independence can be compensated only by a realization of partnership in a greater enterprise and a greater adventure than man ever undertook in isolation. The realization of partnership is not only, or even mainly, a matter of monetary reward; it is a matter of the spirit; it is a question of human dignity; it is what differentiates the worker from the machine. Until the spirit of partnership becomes the spirit of industrial relations, conflict as to the division of the existing product of industry obscures the need for cooperation towards greater

productivity out of which alone can come any real advance in material prosperity.

If the origin of the problems of industrial relations lies in the divorce of the worker from the ownership of the instruments and materials of production, it is an easy but none the less fallacious assumption to proceed therefrom to the belief that a solution of all the problems of industrial relations can be found in the socialization of industry based on the ownership of an industry by the workers engaged in it. The cry is nowadays no longer : 'The coal mines for the coal miners; the steel works for the steel workers; the railways for the railwaymen.' It did not require the ridicule of the slogan : 'The sewers for the sewer men' to kill that form of socialism or syndicalism or whatever we may call it. The modern form of socialism as applied to industry is a revival of an older form and assumes ownership by the state and management by a Board subject to a greater or less degree of Government control, rather than ownership and management by the workers themselves in the industry in question. Under such a form of public ownership and management of industry, the individual worker, all the workers in a factory, all the workers in an industry, are as completely divorced from ownership of the instruments and materials of production as they are under a system of private ownership and management. Their direct interests can as easily conflict with the interests of the owners of a publicly owned industry as with those of a privately owned industry. I say this neither to decry nor to advocate public ownership of industry. Such matters are political rather than industrial and I am no

politician. But there can be no greater fallacy than to assume that by some alteration in the ownership and control of industry—whether that ownership and control be public or private—the problems of industrial relations can be solved overnight. So long as the individual worker is divorced from the ownership of the instruments and materials of production, problems of industrial relations will arise which it will be our duty to solve. The individual worker will be divorced from such ownership so long as the machine relieves him from the toil and sweat of manual labour, so long as division of labour exists, so long as we do not revert to the methods of primitive industry which preceded the machine age.

While the origin of the problems of industrial relations lies in the divorce of the worker from the instruments and materials of production, these problems did not assume pressing importance till the introduction of mechanical methods and the invention of steam power led inevitably to the factory system and the gathering together of large numbers of workers at a common place of employment. The problems of industrial relations to which the factory system gave rise were of two kinds: first, the problems of conditions of employment and, secondly, the mechanism for handling these problems.

The aggregation into a single place of employment and into urban living conditions of large numbers of workers raised a multitude of problems of health, housing and working conditions with which the organization of society and the state of medical knowledge were ill fitted to cope at the time of the growth of the factory system in the older industrial countries. The conditions of health and housing



in early industrial development were not perhaps in themselves inferior in marked degree to conditions in rural areas from which the industrial population gathered, but the mere aggregation of population into a concentrated area transformed conditions which were merely miserable into a situation which before long became intolerable. These conditions, combined with the drabness of industrial surroundings, the industrial discipline which the new life entailed and the loss of independence, afforded a sorry introduction to industrial life. The class of labour which was most hardly hit by the new industrial conditions was that weaker section of the community—the women and young persons—within whose physical capacity the new type of factory labour lay, but whose constitution was least adapted to life and work in the housing and working conditions then existing in industrial areas. It is significant that the earliest industrial legislation after the industrial revolution in Britain was directed not towards the monetary reward of labour but towards working conditions and hours and especially those of women and young persons, and the growth of factory legislation was paralleled by the growth of public health statutes.

Factors which mar the spirit of industrial relations lie deep in the history of industrial conditions. Accounts of industrial conditions and of the exploitation of female and child labour whether they relate to isolated instances or whether they be typical are undoubtedly responsible for much of the bitterness which is at the root of misunderstandings in industrial relations and much of the hostility between classes which persists in industrial

countries. It is possible in this regard as in others to draw parallels between political relations and industrial relations. In both, memories are long and the memory of oppression and injustice imposed by a system of rule or of economic organization is longer than the memory of any benefits it may have conferred or of the alternative from which it may have rescued a people or a class.

The country whose industrial development is of a date to enable it to lay out its plant on the lines which the experience of other countries has shown to be the best fitted for efficient production and to instal the machinery best adapted to modern mechanical methods may be able to do so without encumbering its neck with the dead weight of the millstone of capital previously expended on now antiquated plant and methods which has not yet been written off. Similarly, the country which is not only able to draw upon the experience of the mistakes of other countries in labour conditions but has industrial pioneers sufficiently humane, far-seeing and public-spirited to benefit by that experience can develop industrially without the burden of the millstone of human ill-will which not even centuries of repentance can write off. It can learn from the lessons of other times and other peoples how to avoid one source of embitterment of industrial relations.

The provision of humane standards by a minority of enlightened employers is not sufficient. It is true that such standards draw their own dividend in the shape of industrial efficiency, a constant labour force and a healthy working community. They can, however, be endangered by national and international competition. These are

two aspects on which I shall endeavour to touch in later lectures when I deal with the Legal Regulation of Industrial Conditions and the International Labour Organization. At the present juncture, however, it may be said that, in times of labour surplus, standards of working conditions which are in the long run a paying proposition can be undermined by the competing employer who is wasteful of the labour force. Even in times of relative scarcity of labour—in what it is fashionable nowadays to refer to as times of full employment—labour can be attracted from the employer who is mindful of the health of his workers by the offer under less healthy conditions of higher remuneration. For ten workers who, in seeking employment, inquire as to the wages offered it would be safe to assume that hardly one inquires before engagement as to the working conditions. Above all, the industrial goodwill of the enlightened employer, which is perhaps his most precious asset, can be undermined by bad industrial conditions in the factories of his competitors and of his predecessors in industry. It is probably an understatement to describe the industrial conditions in most factories in Britain today as not unreasonable; certainly the conditions in many are excellent. Nevertheless, the existence of poor conditions of lighting, heating, sanitation, ventilation and welfare facilities in some factories today and, even more so, the conditions of the early nineteenth century—which it is the fashion now to decry as inhuman, though perhaps they were not so much out of accord with the general conditions of the time—introduce an element of ill-will into industrial relations which at times permeates the whole structure

of the trade union movement in its attitude towards employers and the industrial system.

I would therefore say to the employer who has a care for the conditions under which *his* workers live and work that that is not sufficient. If he thinks that he will thereby reap a benefit and achieve an advantage over his less enlightened competitor he deludes himself in the long run. Industry in a modern industrial community tends more and more to be judged by its record as an industry. The community and organized labour are at times singularly indiscriminating in awarding praise or assigning blame. Not only are the sins of the fathers visited upon the sons but also those of contemporaries upon complete strangers. The modern industrialist must not only put his own house in order but he must realize that he is his brother's keeper and that the good name of his industry and of industry in general depends not only on himself. It has been my privilege to work in a country where employers are reasonably well-organized in employers' associations for handling labour questions. I have studied conditions in the U.S.A. where organization of employers for that purpose is still in a primitive state and I do not hesitate to say that, for all the advantages that the latter country enjoys in industrial matters, it could enjoy many more if its employers were as well organized as its workers. In the view of many, employers' associations are sinister organizations existing for the purpose of denying to workers their legitimate rights. It may be true that many employers' associations in their origin were designed to oppose trade unions, or even trade unionism, but that stage in Britain has long

passed. In addition to co-operating with trade unions in the orderly regulation of wages and the preservation of industrial peace, they play an exceedingly important part in ensuring the observance of agreed working conditions, the preservation of the good name of industry and the enlistment of the goodwill of the workers and the community.

The origin of the factory system, in addition to giving rise to the acute problem of industrial conditions, also gave rise to questions which industry was slow to face of how the problems of industrial relations should be handled in the new conditions. So long as the industrial unit remains of a size which permits of personal contact between the employer and the workers, the machinery of industrial relations presents no insuperable problems. Conflict may still arise; the clash of strongly held opinions may result in failure to agree; misunderstanding of motives as well as selfish interests may mar industrial relations. Contact is, however, possible and the road to understanding and agreement has fewer obstacles. The employer can, if he will, know his workers as individuals and as sensate beings with human intelligence and human weaknesses, with interests not confined to the workshop and the bench, with families and with homes. The worker can, if he will, understand the problems as well as the privileges of his employer. He can see the part which he himself as a worker plays in the industrial process. He can see that his daily toil is not a burden arbitrarily imposed by a remote and anonymous taskmaster. He can avoid the sense of frustration with which an intelligent worker regards

a task the purpose and object of which is hidden in obscurity.

The growth of large-scale industry leads inevitably to a concentration of power. Peace within industry cannot be achieved on any lasting basis unless those within whose hands that power lies realize that power implies responsibility, that rights cannot be divorced from duties, and that dominion in modern times must be exercised on a basis of trusteeship rather than domination. The most obvious concentration of power to which industrialization leads is that of the employer. I am not concerned here with the economic or political power of industry, with the use and abuse of monopoly or with the political domination of backward countries by foreign or native industrialists. I speak at the moment only in relation to conditions of employment. The employer—the large-scale employer—by his power to grant or withhold employment in an undertaking which is the only or the major source of employment available in a given area to a relatively immobile population clearly has in his hands an instrument which is capable of abuse. The concentration of power to which modern industrialization gives rise is, however, by no means so one-sided as this simple picture would seem to portray. Partly as the means of combating this concentration of power in the hands of the employer, partly as the result of a natural instinct which through the ages has caused men with a common object to unite for the purpose of achieving it when and to the degree that their circumstances of physical propinquity favoured combination and partly, it must be confessed, at certain times and in certain countries,

as the result of the activities of organizers with ulterior political motives to pursue or with self-interests to be satisfied at the expense of the credulity of the working classes, an equal or even a greater concentration of power can arise in the hands of the workers or of their leaders.

It may be felt that so far I have depicted a rather unhappy picture—a picture of opposing forces ready at a moment's notice to fly at each other's throats, to engage in internecine strife, pausing only now and then by mutual agreement to bury their dead or in sheer exhaustion to lick their wounds and prepare for further conflict or, at best, occasionally joining forces in an unholy alliance to conduct a war of exploitation against some hapless and helpless third party. There have no doubt been places and times when such has unhappily been not a greatly exaggerated picture of the state of affairs, but you know and I know that industry as a general rule does not work quite that way. It is easier, however, to have at least a suspicion that, without open conflict such as I have depicted, a situation does too often exist when the background of suspicion and the memory of unhappy incidents is sufficient to prevent the complete and unreserved co-operation between management and men which is essential if the community is to enjoy the whole fruits of the genius and industry of its industrialists, its managers, its scientists, its technicians, its craftsmen and its labourers.

The task of the practitioner of industrial relations—those on both sides of industry who are charged with this responsibility—is then twofold : to preserve industrial peace and to secure industrial cooperation. Of the two

the latter is perhaps the more difficult task. Open warfare cannot go on for ever. Sooner or later one side or the other must withdraw, even though it is only *reculer pour mieux sauter*. Eventually one side or the other must acknowledge defeat, even though it is only to nurse in grievance bitter thoughts of revenge. Non-cooperation, however, I have heard, is a more subtle procedure, less exhausting to the participants, not limited in time as is open warfare, but in the end equally pernicious in its effects.

I may be excused if at this stage I do not deal with concrete methods and procedures of securing cooperation within industry, with works committees and joint consultation, with suggestion schemes and complaints procedure. I am at present concerned with a more general topic—the spirit of industrial relations. And having used that phrase, I have said nearly all I have to say, for in that phrase lies the secret of the success of industrial negotiations—the spirit in which they are entered upon.

In the first place, I would say to the employer that he must genuinely desire to achieve a partnership between himself and his workers ; he must accept and negotiate with the instrument chosen by his workers as a bargaining agency ; he must do so in a desire to make bargaining a success ; he must at times go out of his way to give credit to the trade union and its leaders for advantages which he had in mind to concede in any event : he must support and never attempt to undermine the trade union leader ; he must realize that it is only in so far as a trade union leader can give to his followers concrete evidence of his success as a negotiator that he can become a real leader rather than an instigator and an agitator.



In the second place, I would say to the worker that he must be prepared to be a partner in a joint adventure ; that he must choose his leaders wisely ; that he must be willing to honour the agreements they make on his behalf ; that he must accord his trade union financial as well as moral support ; that he should regard his trade union as a long-term proposition and not one to be abandoned if it fails to produce him an advance in wages every six months or so ; that he should not regard all who disagree with his industrial or economic views as actuated by bad faith ; that he should not use the weapon of industrial warfare or industrial non-cooperation for the achievement of political aims ; that he should realize that, by bargaining in good faith within the limits of the existing industrial, political and economic system and by cooperating for maximum production under it, he is not a traitor to his ideals or his class. Other methods lie to the hand of those who wish to see political or economic change. Not merely industrial stagnation but political chaos is the prospect when the strike replaces the ballot box.

To both employer and worker I would say that the good faith in industrial negotiations must be present on both sides. It is a dangerous fallacy to suppose that it requires two to make a quarrel ; it is a truism to say that it requires two to make an agreement. It also requires two to honour it. Modern industry is a cooperative effort which is capable of conferring upon mankind collective benefits beyond the dreams of individual avarice. The realization of these benefits demands that the spirit of industrial relations should be based on mutual trust.

## *Second Lecture*

### THE ESSENTIALS OF TRADE UNIONISM

**T**he classical definition of a trade union is that given by Sidney and Beatrice Webb in *The History of Trade Unionism*. A trade union, in the terms of that definition, is 'a continuous association of wage earners for the purpose of maintaining or improving the conditions of their working lives'. There are other definitions in statutes and elsewhere of trade unions which give a very different and often wider interpretation. I am concerned here, however, not with the subtleties of legal definition but with the essentials of structure and purpose. With that object in view the Webbs' definition will suit as well as any other to illustrate what I regard as the essentials of trade unionism.

The element of continuity and permanence in trade union organization is not so much an essential for its success as a demonstration that it has succeeded. A trade union will be lasting if it is worthy to last and in that it is by no means unique among human institutions. Its ability to endure will be tested by the solidity of its foundations. Throughout the course of trade union history, instances can be multiplied of spectacular movements which arose with seeming spontaneity from nowhere, which lasted for a time aimless and purposeless, which dissipated their strength and such finance as they had on

vague and visionary projects, which tottered at the first breath of adversity and which vanished leaving no trace and contributing nothing to the advancement of the movement for the maintenance or improvement of the conditions of the working lives of the people. It is true that it is an elementary instinct of men to combine for the achievement of a common aim, but instinct will not keep them in combination. The general aim will split into a hundred projects, into a thousand methods, unless the movement throws up from its midst a leader with industry and patience and methodical zeal and, above all, with a political sense—which need have nothing to do with party politics but which knows from a deep wisdom what is possible and when, the time to consolidate gains and the time to cut losses.

Robert Owen, who lived from 1771 to 1858, has sometimes been described as ‘the father of trade unionism’. There could hardly have been a less deserved title. Owen devoted his life to the pursuit of great ideals; he demonstrated the influence of environment on character; he showed, with a spirit far in advance of the times in which he lived, that degradation of the working class is not necessary to commercial and industrial success. His one spectacular excursion in the field of trade union organization, however, achieved nothing and left disillusionment. The Grand National Consolidated Trades Union was founded in January 1834, achieved a membership variously estimated between half a million and a million, and had vanished within the year. Its objects were to bring about a complete transformation of the social order but it soon became embroiled in a multitude

of local and minor disputes. Its 'great and ultimate object' was declared to be that of establishing 'the paramount rights of Industry and Humanity', the duty of its members to be that of 'encouraging and assisting each other in bringing about a different order of things, in which the really useful and intelligent part of society only shall have the direction of its affairs, and in which well-directed industry and virtue shall meet their just distinction and reward, and vicious idleness its merited contempt and destitution'. And all this was to come about by no means clearer than a general strike and with seeming indifference to political power. The Grand National Consolidated Trades Union had no political programme and no policy to achieve one; it had no workable system of government and no sound financial basis; it had no leader within itself and no guiding hand but that of an idealist and a visionary who did not himself belong to the working class and who had little use for any movement which did not partake of the spectacular.

An almost exact contemporary of Robert Owen was Francis Place, who lived from 1771 to 1854, and who, though not himself either a member of the working class, performed far greater services to the trade union movement. In many ways he provides a very great contrast to Owen. In him there was little of the desire for the limelight; he was well content to do the work and allow others the credit. He was always willing to make use of the services of others in his cause; he was a skilful manager and a methodical organizer. He realized the need for political reform as a prerequisite of social advance; the manner by which he obtained the repeal of the

Combination Laws in 1824 and 1825, and so secured the emancipation of the trade union movement, was a masterpiece of parliamentary management. Perhaps, however, his greatest service to the trade union movement was that of showing them how to state a case to the public and to Parliament. He made no appeals to natural justice when he sought some reform but specified in detail the instances of oppression and injustice from which he sought relief.

In the early days of trade unionism—although not in its earliest—it is common to find the benevolent middle or upper class sympathizer with the aspirations of labour taking a prominent part in the organization of the movement. The reasons for the acceptance by labour of such extraneous aids are diverse. The mere fact of illiteracy or inadequate education may be an early and a necessary cause but not a lasting one. The political influence of the enfranchised class may appeal to the unenfranchised in days before universal suffrage. While honour is due to those disinterested persons who so unselfishly give of their time and their substance for the betterment of the conditions of the working class, the alliance is rarely an entirely happy or a permanent one and it is rare to find a stable and established trade union movement until it becomes a movement not only for but of the workers. Participation by those not belonging to the working class opens the door not only for the genuine sympathizer and for the political organizer—who after all has his place—but also for the exploiter who has no purpose to serve but his own advantage. The sympa-

thizer with the cause of labour soon finds that sympathy is not a sufficiently strong bond to unite him to the working class in the trade union movement ; he is suspected of condescension even if he is not guilty of it ; he is impatient of what in his unconscious superiority he regards as stupidity ; he finds his natural place on the political rather than the industrial side of the labour movement. Among the essentials of a vital and responsible trade unionism are the existence of a working class which has had the benefit of education and the ability of the movement to attract to itself those within that class who have the intelligence to be able, and the devotion to be willing, to lead their fellow workers and to serve their fellow men. But such services cannot be based merely on unselfish devotion. Even trade union officials must live. The trade union, like any other employer, should pay the rate for the job, and reward skill and devotion with commensurate remuneration. If the labourer is worthy of his hire, so also surely is the trade union official, and to what source more appropriate than his trade union should he look for his livelihood ?

In their origin, trade unions often have no clearly defined objectives, but an essential for their survival is that at an early stage such objectives should emerge. In particular it should be clear not only that the objective of a trade union is the betterment of the condition of its members, but also whether it is prepared to work for that object within the existing social structure or whether its purpose is the overthrow of the present economic order. It is, of course, true that a trade union may well have as an immediate objective the betterment of its

members within the present structure and as an ultimate objective the establishment of an entirely different structure of society. This duality of aim is typical of the British trade union movement though not of the American. Thus there figures prominently in the stated or implicit objectives of the British Trades Union Congress and of its member unions the question of nationalization of industry. On the other hand, it is only a little over a year ago that a joint statement was agreed by the Presidents of the Chamber of Commerce of the United States, the American Federation of Labor and the Congress of Industrial Organizations which declared :

‘The rights of private property and free choice of action, under a system of private competitive capitalism, must continue to be the foundation of our nation’s peaceful and prosperous expanding economy. Free competition and free men are the strength of our free society.’

A body of which the sole objective is the alteration of the existing social order is with difficulty included in the category of a trade union even though its membership is entirely composed of workers. Its objects are either political or revolutionary, depending on its methods, and not industrial. A trade union which seeks not only the betterment of its members under the existing social system but also the abolition of that system must in practice decide which of these objectives is to have priority. In this there lies often a dilemma for the trade union movement of which the real solution is perhaps one of method rather than of principle and consists in a separation between the industrial objectives and the political objectives. There is no reason in practice why the political purposes, if such they be, of the trade

union movement to secure state ownership and control of the means of production and distribution should not be pursued democratically by political methods while unreserved cooperation is accorded in the industrial sphere towards securing, under the existing social order, the maximum production on which the objective of improved standards of living primarily depends. Unless such a solution is found for the dilemma which faces the trade union movement in many countries the prospects both for material welfare and for democratic political institutions are indeed dismal.

The dilemma and the answer were clearly stated by Mr Walter Citrine, the General Secretary of the British Trades Union Congress, as he then was, writing in 1927 in the following terms :

‘What conception of trade union aims is likely to guide the representatives of the organized movement in framing the general policy ? This is the question which raises as a clear-cut issue the meaning of recent declarations regarding the possibility of establishing better industrial relations, with the object of improving conditions in industry and securing a steadily rising standard of life. It is conceivable, but in the last degree unlikely, that the unions may say it is not their aim to increase the efficiency of industry : to do so, in the opinion of some trade unionists, is merely to postpone the inevitable breakdown of the existing system, and they consider the plain duty of the unions is to hasten that collapse and to organize the workers so that they can take advantage of it when it comes. Alternatively, the unions may say their aim should be to keep up the defensive struggle for the maintenance of existing standards and to improve them as opportunity offers, but to accept no responsibility at all for any effort that can be made to improve the



organization of industry on the present basis of private ownership. A third possibility is that the unions should actively participate in a concerted effort to raise industry to its highest efficiency by developing the most scientific methods of production, eliminating waste and harmful restrictions, removing causes of friction and avoidable conflict, and promoting the largest possible output so as to provide a rising standard of life and continuously improving conditions of employment.

‘The third of these alternatives is the one that the unions are most likely to consider as a practical possibility. An obstructive or merely negative attitude is unthinkable, if only because it cannot arrest the profound and far-reaching changes that are taking place in the organization and control of industry, but would effectively silence the unions’ claim to a share in the responsibility of guiding economic developments. The approach to a new industrial order is not by way of a social explosion, but by a planned reconstruction in which the unions will assume a larger share of control in directing industrial changes.’

The choice, as Lord Citrine points out, is clear and the alternative which the unions have chosen is, with few exceptions, that which he advocated nearly twenty years ago. The choice, however, has not in all cases been made without reservation. To say so is not to accuse any responsible section of the trade union movement of bad faith and of practising the doctrines of the class war—that everything that embitters relations between the classes, deliberate insincerity in industrial negotiations, intentional dishonouring of pledges, is good and a means of hastening the final conflict. Nevertheless, the existence even at the back of men’s minds of another and different objective as the real justification of trade

union organization may well have robbed cooperation of its spontaneity and may account in some measure for the superiority of the United States over Britain in some fields of the productive effort. If trade unionism has as an objective—and it is hard to see how it can exist without such an objective—the immediate and progressive amelioration of the lives of its members, it must accept and accept without reservation the need for active participation, in the words of Lord Citrine, in ‘a concerted effort to raise industry to its highest efficiency’. To do so is not to abandon its views as to the ultimate objective of socialist policy. Indeed if and when by political means it achieves that objective—and in a democratic state it can achieve it only by political means—it will have the added satisfaction of taking over a going concern rather than a bankrupt business.

We are entitled therefore to regard as an essential of trade unionism that it should have the industrial object of cooperation within the existing economic order, whatever that may be, and that it should reserve for its political objects, and to be achieved by political methods, any changes in that economic order which it regards as essential to the ultimate wellbeing of the workers.

The question of the desirability of trade unions pursuing political objects is often debated and rarely is an agreed answer found. Paradoxical as it may seem, the issue is perhaps a more live one today in the United States than it is in Britain, although, there too, it has been given a new lease of life by recent controversy regarding the closed shop. The issue is live in America in the sense that workers are not organized politically in any effective

manner and the issue of whether they should be is hotly debated. The issue is not a live one in Britain in that the position of the trade unions as the major partner in one of the great political parties is an accepted fact.

In one sense political objectives may be a source of disunity to the trade union movement. The issues which divide men into political parties are wider than the conditions of their employment. They include the forms of government, foreign policy, race, religion, education, to mention only a few. A political party which is to have pretensions ever to form a government must have a policy not only on social conditions but on all such other matters as are live issues of the day and land. Mere community of interest as workers does not necessarily guarantee identity of views on matters such as state rights in a federal country, such as freedom of religion in the midst of bigotry and persecution, such as equality of race, creed and colour in the face of theories as to a master race. These indeed are issues which have divided many a house against itself and which have often led to the tragedy of civil strife. Where then there are political issues transcending in men's minds the importance of economic and industrial questions, the pursuit of political objectives by the trade union movement will not merely be more difficult but the attempt to pursue them may well be a source of disunity in the workers' ranks. If one seeks an example of the predominance of domestic issues which have hitherto prevented the growth of a workers' political party, it is perhaps best found in the United States of America. The domestic political issues which drove that country to civil war are now largely,

though perhaps not entirely, of historical interest. However that may be, they are still of sufficient moment to counterbalance industrial issues which, by demanding political settlement, would give impetus to a movement by the workers to unite politically. It is possible to foresee, however, though the day may yet be far off, the emergence of a third political party which will either displace one of the two historic parties or create a new political alignment. The industrial power of American trade unions has far outrun their political power. The American trade unions would seem in the future to face the alternatives of exercising a moderation in industrial action which their industrial power will render difficult or of developing united political action sufficient to resist the curbing of their industrial power which on more than one recent occasion has seemed imminent.

In contrast to the American example, there has been in Britain no domestic issue in the last 150 years—the period of growth of the trade unions—which has transcended in importance the questions of industrial, economic and social policy. The workers in Britain, moreover, at an early stage decided that reliance on the goodwill of one of the existing political parties to which they accorded such measure of organized support as their political development permitted was insufficient for the purpose of achieving the aims which they set before themselves. The reason for this is perhaps to be found in the historical accident that the Liberal Party, traditionally supposed—though the claim is doubtfully established—to be the more advanced in social aims and

to which the trade unions at first pledged their allegiance, has also been the proponent of the doctrine of *laissez-faire*; whereas the achievement of the brave new socialist world demands complete economic planning. The growth of a Labour or Socialist Party allied to the trade unions went, moreover, comparatively unchallenged—or at least without the bitterness of challenge it is meeting in America today where I have heard it described as an un-American activity—so long as in most occupations trade union membership was in fact optional. The worker who disagreed with the political views and activities of the trade union catering for his industry often preferred to remain outside it and his right to do so was rarely challenged except in a few occupations, although 100 per cent trade union organization of the workers has long been an objective of many trade unions. The advent of the claim for the closed shop in Britain—trade union membership as a condition of employment—has recently produced a challenge to the political activities of trade unions from quarters which had previously accepted or acquiesced in their actively engaging therein. The expedient of the separate political fund, with freedom to individual trade unionists to contribute to it or not, which has been adopted in Britain, and I believe also in India, is not entirely an answer to the challenge of those who would oppose either the closed shop or the right of trade unions to pursue political objects.

The truth which does not seem to have been clearly perceived is that the term 'political objects' is capable of a variety of meanings. The pursuit of some of these political objects is essential to the existence of a trade

union and is incapable of challenge by anyone who admits the right of a trade union to exist. Such objects which can be achieved only by political action or, once achieved, demand political action for their maintenance include the emancipation of the trade union movement in the sense of freeing it from illegality and disability, according to the trade union movement a recognized status so that its funds are protected and so that it can operate without challenge to its existence, the pursuit of legislation for the safety, health and welfare of workers, for the protection of their contracts of employment and for the institution of social security. Moreover, if the right of a trade union to secure limitation of hours of work by collective agreement is admitted as industrial action, how can the pursuit of the same objective by law be condemned as political action? One may take the view that legal limitation of hours of work is inferior as a method to regulation by collective agreement, if it can be achieved, but it is difficult to condemn the political method merely because it involves political action. Having admitted therefore the right of trade unions to pursue political objects, one is almost inevitably driven to the next step that they must be permitted to pursue them by the most effective method and, if that involves the formation of a political party, then the formation of a political party must also be admitted.

The conclusion is inevitable that the pursuit of political objectives is an essential of trade unionism but, if that pursuit involves the formation of a political party, great safeguards and greater restraint are necessary to avoid the pursuit becoming a source of disunity among the workers.

Such matters are fundamentals of trade unionism. More, however, is required than a knowledge of the basic objectives and a willingness to cooperate within the existing social structure in order to ensure the success of a trade union. A trade union is a business organization and not merely a crusade. High ideals are no sufficient substitute for sound book-keeping; a visionary and a prophet are less essential than an office manager and an accountant. Many a successful small business has been ruined by its own success. The same is true of a trade union. Unless its business methods and organization keep pace with its development, it will end in confusion.

There is no necessity in the trade union movement any more than in any other business for a slavish adherence to a rigid plan of organization. Nevertheless, haphazard growth will ultimately give rise to difficult problems of jurisdiction, and a little planning in the early stages of development may avoid difficulties which will disrupt the movement later. What has perhaps done more to weaken the trade union movement internally, and to discredit it in the public eye, than any other single cause has been inter-union jurisdictional disputes. The employer who sees in such disputes a factor to strengthen his relative bargaining power is peculiarly short-sighted because such disputes have a tendency to exceed all others in bitterness, to disrupt production, to necessitate wasteful duplication of labour on any complex operation, and to precipitate stoppages which no concession by the employer can terminate.

The causes of jurisdictional disputes between trade unions are many, but the main source of difficulty in

Britain and the United States is to be traced to the historical development of industry. Industry, in its early days, depended above all on its craftsmen. The strength of the trade union movement, in the early days of its growth to power, lay in the skilled classes, the craftsmen, whose object in combining was not only to improve their own conditions but to preserve the standards of their craft and to protect it from the intrusions of the unskilled. The trade union movement was aristocratic and exclusive. Craftsmen were organized in trade unions confined to craftsmen but comprising craftsmen wherever and in whatever industry the craft was to be found. The great numbers of semi-skilled workers which characterize modern industry were unknown. The labourers were largely unorganized. The organization of workers in units coincident with their place of employment or their industry was the exception rather than the rule. It was assumed in this scheme of organization—so far as it was a deliberate scheme—that a mechanic was a mechanic wherever he was employed, that mechanics were infinitely interchangeable between all industries which employed mechanics, that their earnings were to be related solely to their skill as mechanics—a skill incidentally which was assumed to be equal among all mechanics—and were in no way connected with the prosperity of the particular industry where they were employed or with the earnings of other workers in that industry.

Modern developments in industry have almost completely transformed the industrial picture. They have not, it is true, dispensed with the highly skilled



craftsman ; indeed, they have demanded a higher degree of skill but from a relatively smaller proportion of the employed. They have given rise to the class of semi-skilled workers. The greatly increased division of labour, the breaking down of industrial processes, and the use of automatic machinery have increased the degree of specialization relative to the industry and diminished that relative to the craft. A really skilled craftsman may still be capable of exercising his craft in any industry where that craft is necessary to the industrial process, but the great majority of workers nowadays are specialists of their industry rather than of their craft.

These modern developments in industry, although they have rendered the old conception of trade union organization unreal, have not entirely displaced it. Rather, there has grown up alongside the old conception a new one based on community of interest of workers centred in their industry instead of their craft. There has also grown up, particularly in Britain, a movement to organize the unskilled and semi-skilled workers as a class into large general unions operating over many industries. The possibilities of conflict are evident when a union seeking to organize, let us say, all the steel-workers in a given country, on the ground of their community of interest as steel-workers, is faced by the bitter hostility on the one side of the craft unions in which the maintenance craftsmen and perhaps some even of the production workers are already organized, and on the other side by the equally bitter hostility of the general unions seeking to organize all labourers. Other possibilities of conflict are many and some of them may hamper the

development of industrial processes and methods as, for example, when new applications of welding give rise to disputes between different trade unions each claiming that its members alone should be entitled to perform the work.

In America, the conflict resulting from inter-union jurisdictional disputes has gravely prejudiced the effectiveness of the trade union movement. If in Britain the conflict has in some measure been solved by what is said to be a British characteristic, that of compromise, and if for a number of reasons the inter-union strife has been less spectacular than in America, it has been none the less wasteful of effort and might have been avoided if the trade union movement had developed on a more logical plan. It would therefore seem that some coherent and deliberate policy within the trade union movement as to its own structural basis may be classed among the essentials.

There are certain reasons for favouring craft unionism, not the least of which is even today the preservation of the pride of craftsmanship, but in the modern mass-production industry and with the development of collective bargaining it seems hardly open to doubt that industrial unionism will predominate; nor is it clear how any other system can eliminate all possibility of inter-union jurisdictional dispute. Both in Britain and in the United States the tendency can be seen among certain unions, traditionally of a craft nature, to move with the times and, although still insisting for the present on the right to organize workers of that craft wherever employed, to claim the right to organize all workers in the industry to which the craft primarily belongs.

The growth of trade unionism brings problems not only for the overall structure of the trade union movement but also for the internal organization of the individual trade unions. It goes without saying that sound business administration and office routine are essential if a trade union which has emerged from the rudimentary stage is to maintain contact with and control of its membership. There must, moreover, be both the form and the substance of democratic control of the trade union by the membership. The larger the union the more difficult it is to maintain central control and still preserve the forms and the substance of democracy. One solution, and a not unsatisfactory one in itself, is to retain within the trade union the largest possible measure of branch autonomy. But the degree of branch autonomy must never exceed the degree of branch responsibility. If a trade union guarantees to all its members in return for their subscriptions certain financial benefits, it cannot allow its branches financial autonomy. If a trade union assumes the responsibility for negotiating agreements, it cannot delegate to its branches the right to denounce them. In such circumstances the forms of democratic control must be preserved by properly conducted elections, preferably by ballot, for district committees and trade groups and, either through such groups and committees or directly from the individual membership, for a central executive. The reality of democratic control must be preserved by unceasing vigilance on the part of the elected representatives to preserve contact with those whom they represent.

In large sections of the trade union movement a means has been sought to preserve democratic control which, though it may have worked reasonably well in individual cases, in practice is based on a misconception of democratic methods. Many trade unions require their paid officials to be elected to office by a majority vote of the whole membership of the union and periodically to offer themselves for re-election. Such a system is open to the dual objection that it panders to all that is worst in human nature and that it tends in reality to undermine democratic control. An office of profit is not a suitable matter for mass voting and a person elected to it may well feel himself entitled to disregard the instructions of, and to appeal to a higher court than, the democratically elected unpaid central executive of the trade union, which is its controlling body. The trade union membership which requires its paid officials to run the hazards of a periodical election is endeavouring to multiply the forms of democratic control and sacrificing its realities.

The questions which I have examined so far of purpose and structure of trade unions are questions which face trade unions as developing institutions, and on the answers given to such questions has in the past depended the stability of the trade union movement. Wise answers to such questions are not necessarily in themselves, however, guarantees of the future of trade unionism. It is worthy of consideration—although no answer can at this stage be given—whether a completely new conception of the functions of trade unions will not require to be developed.

Trade unions in the past have found strength and have built up membership on an aggressive policy—a policy designed to force upon Governments the issue of legalization of the movement and upon employers the issue of its recognition. There are few industrial countries where these issues have not now been resolved. Past policy has in many instances also been dominated and controlled by the spectre of unemployment. Fear of unemployment has been at the root of restrictive practices and demarcation disputes ; unemployment, on the other hand, has been the only limiting factor, apart from the relative strength or weakness of the contending parties, in the adjustment of wages and other conditions of labour. If the plans of the planners fructuate we are offered a future in which by national and international cooperation there is held out the prospect of a high and stable level of employment. Much of the energy of the trade union movement in the past has been devoted to, and much of its strength and stability has been derived from, mutual protection of its members against the hazards of industrial life. We are promised for the future at the instance of the state an increasing measure of social security which will render in large measure superfluous the efforts of trade union members at self-help.

When the time comes—if it ever does—that trade unions no longer have to struggle for the right to exist and for recognition, that wages are planned along with all other aspects of economic life, that unemployment ceases to be the background to all industrial discussions, that social security provides against all the other hazards of industrial life, what functions will remain for trade

unions to perform ? The question is not an easy one to answer, and still more difficult is the question whether without its old functions the trade union movement could retain its former appeal to its members and the former discipline within its ranks. In such circumstances as I have ventured to assume it is clear that an important function of trade unionism would be to ensure maximum production in order that the ideal of a continually expanding standard of life might be realized. I do not believe that the need for the old functions of the trade unions will ever disappear entirely, nor do I believe that furtherance of the productive effort will ever become their sole function in the majority of industrial countries. Nevertheless, it is possible to foresee—and indeed to see already today—a shifting of emphasis and interest in the trade union movement away from sole concern with conditions of labour in a narrow sense and towards a wider interest in problems of production and efficiency on which, in the ultimate, conditions of labour depend.

It is perhaps idle to speculate too much on the future, but the essential test of trade unionism may well be its ability, in achieving its primary aims, to remember that it is a movement within the state and not above it ; and, once these aims are achieved, its ability to turn itself to a new, less spectacular, less aggressive, but even more constructive role, and at the same time retain its membership and its discipline.

### *Third Lecture*

## THE SPHERE OF LEGAL REGULATION OF INDUSTRIAL CONDITIONS

**T**he choice in a modern industrial community in regard to the method of regulation of industrial conditions lies between collective bargaining and state regulation. The times when it was customary to believe that such matters were best left to the free play of economic forces, when it was thought that combination by the workers to improve their bargaining powers was at the best useless and at the worst a definitely harmful interference with beneficent activities of the 'invisible hand' guiding all human activities to their optimum efficiency, when state regulation of working conditions was considered an injustice to the child who returned home too tired to eat after a twelve-hour day in a cotton mill, are no longer with us. In these days of planning it may well be that we have gone to the other extreme and tend to believe that prosperity can result from a mere decree that we shall prosper.

In some countries the dividing line between the sphere of collective bargaining and that of state regulation has fallen differently from that drawn in others. There are some subjects that are clearly more suitable for one form of treatment than the other; there are some in regard to which the balance of advantage is not so clearly defined and it is therefore not surprising that at different times

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and under different political systems their treatment has varied.

Possibly the first topic which merits examination under the heading of legal regulation is the safeguards, facilities or restrictions which the state may justifiably or otherwise grant or impose in relation to the agencies through which the method of collective bargaining functions and the right of membership of such agencies. To follow this topic through its history even in my country, to describe even the existing legal status of trade unions and employers' associations in a single state, is a task which I could not hope to accomplish in one lecture or even in a short series such as the present. It would, moreover, carry us into some rather difficult controversies of constitutional law and theory regarding the proper sphere of voluntary associations within the framework of the state and into some rather obscure passages of the criminal law and the law of tort. My approach to the problem must for the present occasion be a rather less ambitious one and will consist in propounding and examining a few of the basic questions involved.

In the first place, I would ask : ' Is it proper that the law should declare the right of a workman to be a member of a trade union if he so desires ? ' For my own part, if the question were as simple as appears on the surface, I would say without hesitation that the law should declare that right. It seems an elementary right of a human being in a democratic country to be a member of a voluntary association, even though that right may involve some form of dual representation, though it



may involve endeavour through a voluntary association of which he is a member to influence or alter the decisions of a democratically elected Parliament in which he is represented. The question is not, however, quite so simple as it appears on the surface to be. What is the value to a workman of a declared legal right for him to be a member of a trade union unless that right is accompanied by an obligation on an employer to employ him, or to refrain from refusing to employ trade unionists, or not to discriminate against trade unionists? And how is such an obligation on the employer to be enforced? Further, does the right of a workman to be a member of a trade union, if he so desires, not also imply a right of the workman not to be a member of a trade union, if that course seems more desirable to him or if he disagrees with the policy of the trade union? If this is admitted, although it may of course be contested, it would seem to run counter to the declared objective of the closed shop which some trade unions desire to achieve and which some by the strength of their bargaining power have already achieved, even without such legislative assistance as they have obtained in the U.S.A. for example. The proposition, when it is proposed to embody it in legislation, raises also the question of what is a trade union and invites state inquiry into the trade union movement and each of its units to ensure that in no way is it, either in its objects or activities, contrary to law. It invites and indeed almost necessitates a degree of state supervision and control of the trade union movement which it is by no means certain would be welcome to the working class. It raises also the question of what is a workman

and where the dividing line lies between him and management—a question which is settled in the give-and-take of industrial negotiation but might be more difficult of legal definition. On the whole, without dissenting—as no reasonable man would dissent—from the general proposition that a workman should have the right, if he so desires, to be a member of a trade union, we may perhaps reach the conclusion that such a principle embodied as it stands in legislation would be of doubtful value to the working man and would almost inevitably carry with it certain implications which he would resist. In any event, it would be a far happier augury for the success of industrial negotiations that employers should voluntarily recognize the right of their workers to be members of trade unions than that they should do so only under the threat of legal penalties.

A second basic question that might be asked is: 'Should employers be compelled to recognize trade unions?' I understand that the question is one which has some current interest for India, but in the form in which I have stated it—and that is the form in which it is usually stated—the question is meaningless because the word 'recognition' implies nothing more than the acknowledgment of the existence of the trade union. I remember an occasion many years ago, before the existing Federal legislation dealing with this matter in the U.S.A., when I was discussing industrial relations with a prominent official of an American garment workers' union—let me call him Mr X. He told me that he had recently gone into the office of a prominent clothing manufacturer and had received a greeting somewhat in the following

terms: 'Good morning, Mr X. Don't sit down ! Unfortunately the laws of this State require me to recognize trade unions. I regard that as meaning that I must admit you to my office. I have done so. Now get out !' If that clothing manufacturer had undertaken voluntarily to recognize trade unions, his attitude would hardly have been that. As it was, the law had compelled him to do so ; he had fulfilled his legal obligation—or would fight to maintain he had—and of course we are no better off than when we started and, possibly, on the whole, a little worse off. In the words of the Royal Commission on Labour in India : 'Recognition may mean much, but it may mean nothing. No law can secure that genuine and full recognition which we desire to see.'

If the law chooses to impose an obligation on employers to recognize trade unions, it must go farther and define the obligation. The law in Britain has not chosen to do so ; the law in the U.S.A. has. I venture to suggest that the extent of trade union recognition in Britain is greater than in the U.S.A. I even venture to suggest that the state of industrial relations, at least in the sense of avoidance of industrial stoppages, is better in Britain than in the U.S.A. I do not go the length of saying that the difference in legislative approach to the question is the cause of that difference in relations ; the difference in relations may, on the contrary, be the cause of the different legislative approach.

In order that we may see the complications into which legislative requirements on this subject inevitably lead us—and in order that we may appreciate the advantage of voluntary acceptance of trade unions, if it can be

achieved—let us examine the American legislation dealing with the matter. To begin with there is a complication which would not arise in Britain, but which has arisen in the U.S.A. and which might well arise in India, depending on what form its Constitution ultimately takes. The general power to legislate on labour matters in the U.S.A. is not one of the powers which is assigned to the Federal Congress but is reserved to the separate States. Congress, when endeavouring to deal on a Federal basis with labour matters, has therefore been driven to adopt a series of subterfuges and expedients of which the most notable is to take advantage of, and stretch to the limit—and occasionally beyond it—its power to regulate inter-State and foreign commerce. The National Labor Relations Act of 1935 is therefore confined to activities affecting such commerce. It states in Section 7 the right of employees ‘to self-organization, to form, join, or assist labour organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities, for the purpose of collective bargaining or other mutual aid or protection’. It further declares it to be ‘an unfair labor practice’—and imposes a prohibition upon such unfair labour practices—for an employer :

- (1) to interfere with, restrain or coerce employees in the exercise of the rights guaranteed to them by Section 7 of the Act ;
- (2) to dominate or interfere with any trade union or to assist it financially or otherwise ;
- (3) to encourage or discourage membership in any trade union by exercising discrimination in

regard to employment or conditions of employment ;

- (4) to discharge or discriminate against employees for making accusations or giving evidence against the employer in accordance with the Act ;
- (5) to refuse to bargain collectively with the representatives of the employees, i.e. with the trade union chosen (after an election conducted by the National Labor Relations Board, if necessary) by the majority of the employees.

The purpose of the Act was to hit at company-dominated trade unions, to require the employer to bargain collectively with the trade union chosen by the majority of the workers, and to prohibit him from bargaining with any trade union representing a minority of the workers. Otherwise expressed, the object of the Act was to increase the bargaining power of the workers and it was based on the conception that to do so was an essential element in securing redistribution of purchasing power as a means of combating trade depression. Granted the premise that an increase in the bargaining power of the workers was desirable, the most effective method of securing it was to encourage membership in trade unions not confined to a single plant, not financed by the employer, and not subject to his control. Nation-wide trade unions covering the whole or a large part of an industry were clearly in a better position to enforce their wages demands, to take or threaten effective strike action, to organize sympathetic support, to pay strike benefits, and to protect their members from victimization.

The Act has succeeded reasonably well in its object of outlawing the company-dominated trade union. It has also succeeded in prohibiting collective bargaining with a minority union, but in this regard it has had a curious result which its authors can hardly have contemplated. They clearly assumed that, when an employer was no longer allowed to organize a union for his workers, the majority of the workers would join an independent union, but that the effectiveness of the latter would be prejudiced if the employer could continue to bargain also with any remnants of the company-dominated union. The Act was passed, however, before the split in the labour movement between the trade unions now affiliated to the American Federation of Labor and those now affiliated to the Congress of Industrial Organizations, neither of which groups can be accused of being company-dominated.

A minority of workers who choose to be members of an A.F. of L. union can of course remain members, they can go on strike to coerce the employer to recognize their union, but the employer is by law debarred from doing so if the majority in the bargaining unit have chosen another, say a C.I.O., union as an exclusive bargaining agency. The law has fallen into a singular dilemma between its objects of increasing the bargaining power of the workers and of allowing the workers to choose their own representatives for bargaining purposes. It has placed self-determination of the minority in a bad second place.

The difficulties of the National Labor Relations Act are, however, principally associated with the require-

ment that the employer shall bargain collectively with the representatives of the workers' own choosing, i.e. with trade unions. The law does not require—and it is hard to see how it could require—the employer to reach agreement in the course of bargaining. What then is the test of whether he has or has not bargained with the trade union? The National Labor Relations Board has said that he must bargain in good faith. A detailed examination of the decisions of the Board and of the rulings of the Courts is necessary to appreciate the difficulties to which the application of this test has led. But a moment's thought will make it clear that it is an extremely difficult task to decide a person's state of mind from his overt acts except in the case to which in most lands that test is commonly applied, i.e. to the suspected lunatic. There are other complications about the National Labor Relations Act and perhaps on the present occasion it will suffice to cite one example. In a case affecting a company employing 5,000 workers which was decided by the U.S. Supreme Court on 10 December 1945, a trade union representing only 40 workers had been certified by the National Labor Relations Board as the bargaining agency in the section in which they were employed. The company, desiring to increase the wages of all its employees, applied—as was necessary at that time—to the War Labor Board for permission to do so. It did not first consult the trade union representing the 40 workers. The company did not actually increase the wages; it merely applied for permission to do so. The U.S. Supreme Court ruled that such action by the employer was an unfair labour practice.

I would not have it thought from what I have said that I am opposed to the objects which the National Labor Relations Act of the U.S.A. seeks to achieve, nor that legislative action to achieve such objects may never be necessary. I would, however, say that I believe Britain has been singularly fortunate in achieving the fundamental objective of trade union recognition without the necessity for such legislation and that the hopes of any country for harmonious industrial relations will be higher if mutual confidence between employers and workers is such as to enable satisfactory bargaining arrangements to be established by voluntary agreement rather than by legal compulsion.

A third basic question in connexion with the legal regulation of bargaining agencies is: 'Should the law make trade union membership compulsory?' In this bald form the question is one hardly likely to arise except in a country, if in the future there should be any, which contemplates a corporative state on fascist lines and it may perhaps be dismissed as a matter not of immediate importance. There is, however, a question that may well be asked—and in some countries it has already been answered—on a closely related matter: 'Should the law permit or prohibit agreements between employers and workers making it a condition of employment that all workers shall be trade union members or members of a specified trade union?'

In Britain, by the Trade Disputes and Trade Unions Act of 1927, it was prohibited for any local or other public authority to make it a condition of employment that their workers should or should not be trade union mem-



bers. No restriction was placed on the possibility of other employers, of their own initiative or in agreement with a trade union, making trade union membership a condition of employment. The 1927 Act has recently been repealed so that there is no restriction in the matter now even in the case of public authorities. Until recently there were few agreements requiring trade union membership or membership of a specified trade union as a condition of employment. In practice and without formal agreement, in certain trades and districts only trade union labour was employed or other degrees of joint pressure by workers and employers to secure 100 per cent trade union membership were operated. Recently, however, an agreement between the London Passenger Transport Board and the Transport and General Workers' Union, under which the Board will employ in certain grades only persons who are or who become members of that Union, has given the matter new publicity and has evoked similar demands from other unions which had previously not raised the subject or had been content with amicable arrangements of a less formal if also less effective kind.

In the U.S.A., the National Labor Relations Act specifically provides that a closed shop agreement made by an employer with a trade union chosen by the majority of his workers in an appropriate bargaining unit shall be legal. It has been estimated that 45 per cent of the 13·8 million workers covered by collective agreements in the U.S.A. in 1945 were employed under closed-shop or union-shop provisions.

When one examines the closed-shop controversy one concludes, if one is fair-minded, that there is a great deal to be said on both sides of the question, as is unfortunately the case, by definition, in regard to so much that is controversial. The first cry is easy and perhaps not so superficial as it may sound to cynical ears: the closed-shop is an invasion of individual liberty. So however, is much else in modern life. A more valid criticism, however, in the sense that it is perhaps more practical, is that the closed-shop makes membership of an organization with which a worker may disagree on conscientious, political, industrial or other grounds, from which he may be excluded for reasons which seem to him bad but against which he has no right of appeal outside the organization, to which he may be refused admission on quite arbitrary grounds or because the existing members desire to protect themselves from further competition in the labour market, for membership of which he may be charged exorbitant initiation fees, a condition of his being able to earn his livelihood in the community. To the extent that charges such as these—or those of them that we may choose to regard as the more heinous—can be substantiated, which of course in Britain at least and I imagine also in the U.S.A. is not the case in many instances, there is a very real interference with personal liberty and an injustice to the victim. On the other hand, one can understand and indeed sympathize with the feelings of trade union members who have borne the whole cost of building up a responsible organization and who see the benefits of that organization, so far as it results in better conditions, shared by

a minority who are quite content to accept the benefits without contributing in any way to the cost of securing them. Still more irritating to the majority at times must be the failure to secure their objectives as a result of the non-adhesion of the minority, but such cases must now be rarer owing to the complication and integration of most modern industrial processes, so that a minority is rarely able to continue work if a majority goes on strike. One argument which has sometimes been used in Britain in favour of the closed shop is that it would enable the trade unions to deal more effectively with unofficial strikes which, though participated in by only a minority of workers, can disrupt production. So far as Britain is concerned, such an argument is of doubtful validity because the majority of the unofficial strikes which have taken place and which have certainly been exceedingly troublesome in the last year or two have not been strikes by non-unionists or by members of a minority union but by members of the sole or majority union against the advice and authority of their union leaders. There are of course cases where membership of a particular craft union is equivalent to the certificate of completion of the recognized craft apprenticeship and union membership is insisted on by the union to preserve craft status.

It is difficult to draw just conclusions applicable to all cases out of a controversy such as this but on the whole it is probably inadvisable that there should be any legal prohibition of closed-shop agreements, because there may be cases where they are either desirable or at least to be accepted with resignation as inevitable. On the

other hand, trade unions would do well to act with discretion in seeking closed-shop agreements, which may savour too much to the public of dictatorship and which may bring within the trade unions themselves disgruntled and disruptive elements. Unions which do conclude closed-shop agreements would be well advised to satisfy the public as to the fairness of their rules and procedure governing membership of the unions. Here, as elsewhere in industrial relations, voluntary acceptance is preferable to compulsion. The trade union which, even from small beginnings, is able to demonstrate its stability, its worth and its leadership will attract the majority of workers to its membership, will shame a few more into membership, and is probably happier without the remainder. Further, such a union can usually count—it certainly can in Britain—on the added persuasion of the employer and his association, because the employer usually knows that few things are more harmful to production than the resentment of a works divided against itself on questions of trade unionism.

There are other questions concerning legal regulation of industrial conditions which are happily less controversial than those which concern the agencies of collective bargaining. It is not contested nowadays that matters such as health, safety and welfare are fit subjects for industrial legislation, but it is worthy of emphasis that only one system of legislation can make a factory completely safe and completely healthy and that is a system which says that the factory shall not operate and shall not produce. It is not possible for legislation to eliminate all the risks of industry, for some risk is inseparable from

all human activity. It is not possible for regulations or safety devices to counter all the possibilities of human recklessness or ignorance. Here, above all perhaps in industrial relations, is a field for cooperation between management and men which need not be prejudiced by any reservations, by any differences of political view or economic theory, and which has proved in many cases the training-ground for cooperation in wider fields, the breeding-ground not for suspicion and hostility, but for mutual understanding and goodwill.

From safety legislation it is an easy step to legislation designed to protect the weaker elements of the population from exploitation and excessive labour. Legal requirements as to minimum age of entry, and medical examination before entry, of young persons into industry, and as to maximum hours of work of young persons in industry are commonly accepted at the present day in most industrial countries. So also in most countries are limitations by law on the hours of work, night work and occupations of women. It is possible to find, however, a tendency, which was once ridiculed as the idiosyncrasy of somewhat impractical feminist organizations, but which today is taken with rather more seriousness in countries where the emancipation of women is most nearly complete, to regard some of the more extreme restrictions on the employment of women as outmoded, as unfair to the women themselves, as inconsistent with their claims to equality of status and remuneration, and as designed, unless altered, to keep them in a state of permanent inferiority. It is not a subject which need be pursued at the moment, but one illustration

will perhaps suffice to indicate the tendency. An International Labour Convention adopted by the International Labour Conference in 1919 prohibited the employment of women during the night in industrial undertakings. As long ago as 1934, the 1919 Convention was revised by the International Labour Conference to exclude from its scope women holding responsible positions of management who are not ordinarily engaged in manual work. One of the main arguments advanced in favour of the amendment was, on behalf of women who had qualified after training of a university standard for professions such as that of electrical engineer, that the 1919 Convention was unfair to them in so far as it hindered them from obtaining employment in a country which had ratified the Convention owing to their inability to take their turn in rotation on the night shift, for example as shift engineer in charge of an electrical generating station. How long will it be before a similar argument will be raised on behalf of women who, after an apprenticeship, become members of a skilled craft which does involve manual work?

Protective legislation for women and young persons, including legislation limiting hours of work, arises from quite different considerations from legislation affecting hours of work of adult males. In many countries the special position of coal-miners is recognized by legislative restriction of the maximum number of hours of underground work. In countries where trade union organization is most effective, however, it is not common to find any strong demand for legal limitation of hours of work of adult males, except in the sense of fixing a point at which

overtime rates of pay shall apply, which is more a device for securing additional remuneration.

State intervention in the regulation of wages can take two forms. The state may either itself assume the task of regulating wages or it may offer its services to assist employers and workers in reaching agreement. It is rare in modern industrial conditions for the state to assume the general responsibility for fixing all wage rates. Theoretically, no doubt, in conditions of planned economy, this is a task which the state ought to assume and, if planning drives us to that conclusion, it may serve as a danger signal for those who would carry planning to its logical conclusion. It is easy to understand why the state has shirked the task of fixing all wage rates. The labour officer or the chief rate-fixer or the trade union secretary knows the extraordinary complexity of such a task even within a single undertaking. The fixation of every time-rate, every piecework price or time, every merit addition, every extra payment for exceptional conditions in every occupation and every factory in an industrial country is a task from which even the most enthusiastic planner would withdraw with horror. Apart, however, from the complications of the task, state regulation of wages is a method which in most countries would not be acceptable to the workers. State regulation of wages, if it is to mean anything, implies state enforcement of the prescribed rates, prohibition under legal penalty of strikes and, in short, the suppression of the trade union movement as it is commonly understood.

It is understandable therefore that so far as concerns direct regulation of wages the state, in most countries

where free institutions exist, has confined itself to the appointment of statutory wages boards to regulate wages in industries where employers and workers are not sufficiently organized to undertake the task themselves, or to the fixation of a minimum wage for industry as a whole or for specified trades. Whether in the new economic conditions which face the world today and in the future the role of the state will be so limited is one of the fundamental questions of industrial relations which only time can answer, but it is one which raises in an acute form the part which trade unions will be able to play in the new economic order.

Meantime there is, however, in many countries a field in which the state plays an exceedingly important part and that is in connexion with conciliation and arbitration. Unwise intervention by the state or unwise abstention from intervention, premature attempts at conciliation or too-long-delayed offers of advice and assistance, can prolong unnecessarily industrial disputes. Of conciliation there is little to be said except that the Government should provide a well-organized conciliation service ; that the fewer the rules and regulations there are regarding conciliation the better, because its success often depends on its informality and on the personality of the conciliator. With regard to arbitration under the aegis of the state, there is more need for definition and rules. We can assume that the state provides facilities for employers and workers to submit voluntarily to arbitration matters on which they have themselves been unable to agree. Even such arbitration—voluntary arbitration—while it is infinitely preferable to industrial warfare should be



regarded as a poor substitute for mutual agreement. It entails submission for decision to an outsider—who, however expert he may be, knows less of the dispute than the parties—of a matter which is usually not one of interpretation but of substance. The analogy commonly drawn between litigation and industrial arbitration is by no means a perfect one. While the judge's function in civil litigation is usually that of ascertaining the facts and applying to them the known law, the arbitrator in an industrial dispute may find no dispute as to the facts but merely a difference of opinion as to whether  $x$  or  $y$  is the proper hourly rate for a job. The arbitrator finds himself rather in the position of a law-giver than a law-interpreter. If he endeavours to apply justice and fairness to such a dispute, it may well be asked: 'What is justice and fairness in such a dispute except what the parties themselves are prepared to accept and work under?' The industrial arbitrator is therefore usually driven to abandon the search for some abstract justice and to ask himself what settlement the parties will accept, what terms will avoid an industrial stoppage, and often ends by the undignified expedient of splitting the difference. Voluntary arbitration is worthy of encouragement subject to one condition, that it does not weaken the resolve of the parties to industrial negotiations to do all in their power to reach agreement without resort to arbitration.

When one examines the place of compulsory arbitration of which some countries have had long experience and with which others have experimented in time of war, one must conclude that the subject is too closely interlinked with the industrial history of the individual countries

concerned to admit of any general judgement. It is of course the case that all the difficulties surrounding voluntary arbitration appertain also to compulsory arbitration. Apart from that, however, the test to be applied to compulsory arbitration, the test by which it must stand or fall must be: 'Can it be enforced?' Compulsory arbitration is in some measure a misnomer. What is really intended is prohibition of strikes and lock-outs coupled with the right of the party who is dissatisfied with the existing or proposed terms of employment to have these settled in an arbitration award which has binding force. Compulsory arbitration therefore implies pains and penalties for those who go on strike, and the test by which it must be judged is the possibility of enforcing the law. If the tradition of the country is one of authority, if a habit of mind has grown up which reposes confidence in the awards of its public arbitration court, if the great mass of public opinion—including working-class opinion—is prepared to support the system, to take the unfavourable decisions as well as the favourable decisions, the system can—and no doubt will—be applied. If, however, the tradition of industrial self-government is stronger, if organized workers are not prepared except in times of grave national emergency to renounce the weapon of the strike, if in short the law has not the support of public opinion, compulsory arbitration will not work and the law which endeavours to enforce it will be brought into contempt.

In the course of these remarks I have been able to touch on only the fringe of the subject and there are many aspects of legal regulation of industrial conditions

and industrial relations of which I have been unable to speak. I shall, however, have achieved my purpose if I have made it clear that, while statutes, rules, regulations, pains and penalties have their place in the ordering of industry, they do not touch the core of the problems of industrial relations. The U.S.A. is perhaps the country which has endeavoured to achieve most in the shortest time in the field of collective bargaining and in its haste it has perhaps failed to realize that a willing spirit cannot be inculcated by Act of Congress. The Director of War Mobilization and Reconversion (Mr John R. Steelman) in the Seventh Report (dated 1 July 1946) of his Office addressed to the President and Congress of the United States—a Report which somewhat fatefully is entitled *At the Crossroads*—sums up almost all there is to be said on the limitations of legislation in regard to industrial relations when he says :

‘In the final analysis, however, the attainment of peaceful industrial relations does not rest with legislation. The relations between men and management are human relations. Even the best legislation can be no more than a framework for solving the recurring problems of human relations. Law libraries are full of statutes and court decisions on the conduct of married life. But no statute and no court decision ever made a marriage happy and successful. This is just as true in industrial relations. It is just as hard and just as impractical to prescribe iron-bound rules of behaviour in the dealings between labor and management as it would be to prescribe them for husbands and wives.

‘The solution lies in the hands of employers, employees and their representatives. It is they who must bring to their relationship the good faith, tolerance and willing-

ness to cooperate, without which no legislation affecting collective bargaining can be truly effective.

‘Peace and harmony and efficiency cannot be legislated; cannot come by decree or command. Therefore, a tremendous burden of responsibility for peaceful labor relations, for full production and for a stable economy lies squarely on the shoulders of the men and women of industry and labor. The Federal Government can lay down the broad rules of the game; it can act as a friendly conciliator to both sides when disputes arise. The Government should take stronger measures only when the public welfare is endangered. Recognition, by both labor and management, of their own vital responsibility to get along together without Government intervention is of overriding importance in the months immediately ahead.’

## *Fourth Lecture*

### INCENTIVES IN INDUSTRY

**I**n a recent leading article (29 June 1946) the *Economist* put forward the proposition that 'the human donkey requires either a carrot in front or a stick behind to goad it into activity'. Activity, energy, application, drive, initiative, are some of the terms applied to the human condition necessary to achieve the desired end of production. A simpler term is 'work'. Work, and indeed hard work, of hand and brain is still necessary in a world where the satisfaction of human needs depends upon production, where a higher standard of living is a passionate desire of mankind, where increased production creates ever new needs, where machines become ever more ingenious, but neither make nor tend themselves. Why are incentives necessary? Or, rather, is not the fruit of work the incentive to work? Is not the penalty of idleness the deterrent to idleness? What of St Paul's dictum that 'if any would not work, neither should he eat'?

In a world where it is still true that only out of work, initiative and enterprise can material benefits accrue, it is paradoxical that the search should ever be for incentives to induce man to obtain for himself what he so passionately desires. In a modern community, however, of which the basis is an ever more complex division of labour, the rewards are collective while the effective

incentives remain individual. It is still true no doubt that he who will not work at all will either not eat at all or will partake of a meal so infrequent, of such unappetising character, or in such insalubrious surroundings, that unless he is exceptionally unworldly he will soon be glad to exchange his idleness for at least a modicum of labour. But there is no absolute standard in a community in which each man no longer produces, if indeed he ever did, all he requires for the satisfaction of his own needs to determine with justice and certainty in accordance with his diligence and his skill how much he shall eat and how he shall live and be housed. How many pairs of shoes the farmer shall obtain, how many bushels of wheat the cobbler shall consume, are no longer measured exactly by the number of hours he tends his fields or keeps his nose to the last, not even necessarily by the skill and energy he devotes to these tasks. Nor in a modern community is it in accord with the national conscience either that each man should enjoy the whole fruits of his skill and enterprise or that each man should be limited to the product of his labour.

This is to be seen in schemes of social services which provide at least a minimum subsistence for those who cannot earn, which redistribute the national income not only between those with inherited wealth and those without but also between those who by ability, application or good fortune are able to earn much and those who, lacking these attributes, earn little. In remuneration itself, the increased bargaining power of the unskilled workers has materially improved their relative position as compared with the skilled

craftsmen. Partly from the inherent difficulty in modern conditions of determining absolutely the value of labour, partly from a deliberate policy of removing great inequalities in wealth, partly from increased bargaining power resulting from the concentration of workers in mass-production industries, there has been a great levelling out and we have departed far from the conception that to each man is due the product of his own labour, skill and initiative. Whether such a conception ever was just is a question of morality into which it is not my concern to enter here. Certain it is, however, that it is far removed from modern social policy, the trend of which—and a trend that none can reverse even if he would—is towards greater *collective* prosperity for the community.

The danger, however, is that by concentrating on collective benefits while man remains in essence individualistic, if not in sentiment certainly in motives, we may succeed in achieving all too literally the national minimum which is the proclaimed aim of social policy.

The traditional and now outmoded method of inducing men to produce was that of pains and penalties for failure to do so, the stick of the leading article in the *Economist*. The conception of direct compulsion to labour is one which exists only in a slave state or in times of great national emergency when, by common consent, national service in one form or another is imposed on the whole community. The difficulties attendant upon such a method—even when approved by the overwhelming majority of the population—were seen during the last war in many countries. In times of peace it is difficult to see how such a system could in any country, which

respected any vestiges of individual liberty, be imposed or how in any state it could be enforced except by the brutalities of a tyrannous dictatorship. There are few cases where penal sanctions even for breach of contract remain and fewer where they could be enforced against mass resistance. While the stick rarely assumes literal shape in modern times, there have remained other forms of pains and penalties devised to induce the exercise of industrious labour. They have ranged through forfeiture of various rights and privileges, monetary fines, suspension without pay, to the extreme penalty of dismissal. The exercise of even that power has been curbed in some countries. At any time, however, it is a singularly unsatisfactory basis on which to rest discipline. It is obviously a power which at times must be exercised because no employer can be expected to continue to employ a worker on work which he refuses to perform, or which he is clearly unfitted to accomplish, or whose habits are such as to overturn the discipline on which all concerted effort must be based. Nevertheless, the last thing which the efficient employer desires is a constantly changing labour force. Indeed, in times of scarcity of labour, the power of dismissal or the necessity of exercising it may well be a greater penalty on the employer who cannot replace the dismissed worker than on the worker who has no difficulty in finding another employer.

The second kind of incentive in industry is the offer of reward in proportion to the energy and skill expended. This may be regarded—and perhaps too often is regarded—as the carrot. But the analogy is a dangerous one. A carrot dangled before the nose of the donkey is said



to be sufficient to induce a sharper pace even though it constitute merely a permanent fixture carried along at the same speed as the donkey and never capable of attainment. This method applied to industry can have less effective results; early attempts to apply it are at the root of much opposition today to the various methods of payment by results. The incentive method of payment is, however, in essence no elaborate form of deception. Nor need it be, provided certain safeguards are applied, a modern form of slave-driving. It is no more than a means of proportioning in some measure the reward to the merits, the price paid to the services rendered or the effort expended. If it be accepted that wages are at least in part compensation for expenditure of productive effort, then it is by no means unreasonable that, of two men who are prepared to expend different amounts of that effort, the one who is prepared to expend the greater amount should receive the higher remuneration. Moreover, if that man is not prepared to expend the greater productive effort unless he receives more remuneration than the other and if that greater effort is within his reasonable capabilities, is it not in the social interest that he should be encouraged to expend it? No one denies that remuneration as between two comparable workers should be in proportion to time worked; but why should time worked be regarded as the sole measure of expenditure of effort? If one man prefers to work more intensely than another, why should he not be allowed and encouraged to do so? Why should he not receive the same remuneration for shorter hours or, as he would no doubt prefer and as is more usual, greater remunera-

tion for the same hours ? Until such time as all men are willing to work, let us say, reasonably hard within the limits of their individual capabilities and to accept for that work a common wage paid alike to those of differing capabilities, then the case for payment by results in some form or other is overwhelming. From the aspect of maximizing production, payment by results has a double importance under modern industrial conditions in that the maximum utilization of modern plant is a prerequisite to its installation and cannot readily be assured without some system of payment by output.

The obstacles in the way of payment by results are based partly on the difficulty of applying the system and partly on fears of its consequences. The traditional obstacle is trade union opposition, but such opposition is by no means universal nor does it follow any set pattern. In some industries in some countries the system is almost universal and is worked with full trade union cooperation. The commonly stated grounds of opposition are fear that increased production will be followed by rate-cutting, adverse effect on the health of the workers, adverse effect on the quality of the work, difficulty of securing a living wage for the workers of less than average efficiency. The less commonly stated, but no doubt more sincerely held, grounds of trade union opposition are the difficulty of applying methods of collective bargaining to the fixation of piecework rates and the consequent loss of trade union control over a most essential element in conditions of labour, the haunting fear that has obsessed workers throughout the ages that there is only a certain amount of work to be done and that an

increased rate of production will earn the reward only of unemployment. There are, however, obstacles in the way of payment by results other than those of trade union opposition. It is a more complicated system than time-work. It requires an efficient management to devise it and an efficient clerical and accounting staff to apply it. It requires more inspection of finished work and gives rise to more wastage of material. There are certain occupations to which it is virtually impossible to apply, others to which it is inadvisable, and few things are more productive of disharmony in a works than to have some classes of workers denied the possibility of piecework earnings which the majority enjoy.

The list of difficulties and objections is formidable and is worthy of closer examination. It should be said at the outset that if the system is to achieve its desired result, it is of the utmost importance that it should not encounter organized opposition in the works and that it should be operated in agreement and cooperation with the workers. The fear of rate-cutting has some foundation in industrial history but is also largely based on faulty initial rate-fixing and on a misconception of the circumstances justifying an alteration of rates. Piecework rates initially wrongly fixed cannot stand, but their alteration to the disadvantage of the workers is a source of often bitter conflict. Rate-fixing is a skilled occupation based on scientific study; it calls for an intimate knowledge not only of machines but of men; in the hands of an expert it can be performed with extreme accuracy. Rates, however, even accurately fixed initially, cannot stand unchangeable for all time. A proper understanding of the

principles of change of plant, facilities, and working methods justifying alteration of piecework rates would remove much of the bitterness of dispute associated with allegations of rate-cutting. Indeed, without properly agreed principles for alteration of piecework times and prices, a system of payment by results can be not an aid but a hindrance to improved and increased mechanization. An industrialist may well hesitate for long before installing labour-saving machinery if he is faced with the alternatives of either no saving in labour cost or of an acrimonious interlude before it is secured. Then again, general industrial or national considerations from time to time necessitate alterations in rates which are by no means always downwards but which, even when they are, must be dissociated from the common condemnation of rate-cutting. The workers' fears for the relatively inefficient and of injury to health through speeding-up can be, and commonly are, met by establishing for each occupation a reasonable time-rate which is guaranteed as a minimum and by fixing piecework times or prices so that a worker of average ability, working at a reasonable pace, can earn an agreed percentage above the minimum. The difficulty of securing trade union control over piecework negotiations is a very real difficulty in a country where it is customary to have national negotiations between an employers' association and a trade union in regard to the wages of a whole industry. The task is simple when only time-rates are in question but, when payment by results operates, national negotiations are impossible unless the industry is one manufacturing a standard product or a limited range of

products by standard methods and with standard facilities. National negotiation of a complete list of rates for piecework purposes is obviously impossible when any one of a large variety of products can be produced by a number of different methods and on machines of widely different type and of widely differing output. These difficulties also, however, can be overcome by having a standard minimum time-rate for the occupation combined with adequate facilities for handling any complaints that a price or time fixed does not enable a worker of average ability to earn the stated percentage over the minimum rate. The commonly stated objection to payment by results on the ground of its adverse effect on the quality of work is not without substance and there are undoubtedly certain processes and occupations to which for this reason it is not advisable to apply the system. In many cases, however, these difficulties can be overcome by a not unduly onerous system of inspection of finished work or by systems of intermediate inspection. Indeed, in case of work which demands a high standard of workmanship and a high degree of precision, it is hard to see how inspection requirements are increased by introduction of payment by results, although, of course, it is common to find that the percentage of rejection is materially increased. It is at the two extremes of the labour field that the greatest difficulty of applying a system of payment by results operates—those in positions of supervision and those in labouring occupations. These, however, are but two examples of a much wider class which includes all ancillary and maintenance workers, all workers who are not engaged directly on

production. Material incentives in such cases can take other forms and are more appropriately discussed when considering collective incentives.

The essential requirements for a satisfactory system of payment by results are simplicity, fairness and directness. Some systems of payment by results have achieved a degree of complication which places them beyond the comprehension of the ordinary workman, and no workman will believe that a system is fair if he does not understand it. He will become convinced that complication is part of a sinister design to defraud him of his rightful earnings. Fairness in the system demands that, so far as that part of the worker's earnings is concerned which depends on output, it should not only increase with increased output but should increase in proportion to increased output or even more than in proportion. Piecework systems such as the Halsey, Weir or Rowan systems are undoubtedly ingenious and diminish the likelihood of resort having to be had to rate-cutting, but they are all in essence confessions of fear of defective rate-fixing. It offends against a worker's sense of fairness that he should not receive the benefit in remuneration of the whole of the time saved on an operation so far as that time is saved by him. Indeed, both as an inducement to expend the effort which costs the workman most and which he is not unnaturally least willing to expend and as a method of securing the maximum utilization of costly capital equipment, there is a sound case for progressive piecework rates so that, at least after a certain point is reached, the rate increases progressively with the output. Such systems often offend, however, against

the requirement of simplicity, and it is therefore not surprising that the most acceptable form of payment by results is not infrequently the system of straight piecework or, what is in essence the same thing, straight time-piecework. The requirement of directness in a system of payment by results is, of course, merely another way of stating the reason for the system. In order that a man may be induced to expend greater effort, in order that he may be fairly remunerated for the effort he expends, payment should be in proportion, so far as possible, to his own individual production. In modern industry where so much of production depends not on individual effort but on the combined work of a team or even of a whole department—examples may perhaps be found nowhere better than in a steel works—this policy is a difficult one to apply in practice but, unless an effort is made to bring the system as near as possible to an individual basis, or to keep the group basis as small as possible where the production of a group is indivisible, the whole purpose of payment by results is missed. Collective incentives have their place and their importance but they are not in themselves sufficient. If each individual, no matter how large the group, can be induced to give of his best by group incentives, then the national incentives of social security and a higher standard of living, dependent as they are on greater productivity, would in themselves be sufficient. Public opinion is in favour of greater productivity but it often exercises singularly little force on the individual if relaxation of his individual effort produces no appreciable effect on his earnings. Among a group of ten workers whose remunera-

tion depends on their group output, public opinion, even as voiced by his fellow workers, may still not exercise much effect on one man who argues that halving of his effort is well worth while if it reduces his earnings by only one-twentieth. As the size of the group diminishes, however, the power of self-interest increases and reinforces whatever wholesome influence public opinion may be able to exert. It is worthy of note that the country which has probably carried payment by results to its greatest extent in the forms of bonuses and super-bonuses on output is Russia, where other and less material incentives are neither neglected nor lacking.

If I have emphasized the advantages of payment by results, it is because it seems to me not only a means to achieve socially desirable ends but also just in itself. It is, however, possible to over-emphasize the value of monetary incentives and particularly so in certain peculiar conditions which are not absent from the world today. When food and other consumable goods are scarce, price-controlled and rationed, higher earnings lose much of their attraction. When taxation is high, deducted directly from the earnings of the pay period to which it relates, and progressive in rate, there is lessened incentive to earn, and notably less incentive to earn that portion of earnings which is taxed at the highest rate. When so much that the workman formerly provided, however inadequately, out of his own wages is now provided for him independently of his wages, the amount in the pay packet is of appreciably less importance.

The obvious alternative to higher earnings is greater leisure and, although at times of scarcity greater leisure



can least be afforded, this may well be the time for some rather long-term planning in the way of material incentives. It may be worth while examining rather more closely what the worker really wants as an alternative to higher earnings, and the form in which, if at all, industry can provide that alternative, and whether in doing so it cannot also solve some of the other problems which disturb industrial relations. If the threat of present loss of employment is a somewhat outmoded aid to industrial discipline and if dismissal has lost some of its terrors, cannot the assurance of non-dismissal in the future and other increasing benefits attaching to long service be made the path to a new industrial discipline? I believe security to be a cherished desire of the workers and insecurity their haunting fear. The preface to the original rules of the Amalgamated Society of Engineers, dated 1851, points out: 'We are willing to admit that whilst in constant employment our members may be able to secure all the necessaries and perhaps some of the luxuries of life. . . Notwithstanding all this there is a fear always prominent in the mind of him who thinks of the future that it may not continue. . . How much is contained in that word continuance and how necessary it is to make it a leading principle of our association.'

There are more forms of security than social security, and in any event the state has outbid the employer in social security or is well on the way to doing so. There is another kind of security and that is security of tenure. In Britain the guaranteed week is a fruitful source of discussion at the moment and a fruitful source of agree-

ment, but that is not security of tenure—it is merely in effect, for a worker who was accustomed to lose a certain number of hours per week on the average because of shortage of materials and so on, an increase of weekly pay. In the United States there is much discussion—although notably less agreement—of a longer-term security in the form of annual wage plans. When I speak of long-term security, however, I mean something more even than that : I mean permanent employment. Fear of present dismissal may have few terrors for the worker, but fear of future dismissal may have many. This haunting fear might be lessened, industrial discipline might be enhanced, industrial relations might be put upon a new basis, the waste associated with a changing labour force might be minimized, if some system could be devised under which workers after a certain number of years' service in compliance with agreed works rules would be guaranteed permanent employment till retiring age. The details of such a scheme would not be easy to devise. It would be difficult to operate in the case of an industry catering largely for capital goods where employment is specially liable to fluctuate, but by the same measure it would be the more appreciated, and its benefits to the industry would be the greater. The system of graded incremental scales of pay recently agreed at the Tata Steel Works is an interesting experiment in relating wages to length of service and I shall follow its results with the closest attention as it may well be of importance to industry elsewhere.

At the same time, thought might well be given to the question of whether some of the other benefits of industry,

instead of being accorded automatically to all or made subject as they normally are to say one year's service, could not be proportioned to length of service. I shall give but one example. One of the most fruitful forms in which increased leisure can be enjoyed is by increasing the length of paid holidays instead of the equivalent length of time being frittered away in a few minutes' reduction of hours of work per day. This fact is being increasingly recognized in the lengthening of the period of annual holidays with pay, but is there not a case in justice and with advantage to industry for future increases of this nature being proportioned to length of service? So much for individual incentives of a material nature and I hope I have said enough to demonstrate my belief that they need not all partake of a monetary character.

In conditions, however, in which many benefits are of a collective character, attention must increasingly be turned to collective incentives. A defect of modern integration and large-scale organization, however democratic it may be in its forms, is that it becomes incredibly remote from the individuals who compose it. The passionate and simple desire of the ordinary man and woman in most countries is for peace in which to live a better and fuller life. The objects of most forms of national government and of the international institutions which have been created are to ensure them their hearts' desire. But what opportunity have the views of the ordinary man and woman, when they are filtered through a succession of ballot boxes and other sieves, national and international, of ever percolating to the council chamber of

the innermost assemblies of the United Nations? And what means do those at the height of the dizzy pyramid of the international hierarchy have of keeping in touch with the views of those who are their constituents? In truth the legislators and administrators and statesmen, if they are intelligent men—and contrary to popular belief many such partake of that quality—know full well the views of those whom it is their duty to represent or serve. If they are honest men—and that is a quality not confined to the common people—they do within the limits of their capabilities, which are often great, strive to achieve unselfish ends. The weakness, however, as in all complicated commands, lies in the lines of communication. It is not sufficient for a decision to have been taken in knowledge; it is not even enough that it should be the right decision. It must be known that it has been taken in knowledge, its grounds must be understood by those whom its execution will affect and upon whose cooperation its success will depend. If not, frustration and apathy will result.

What is true in politics is equally true in industry. In modern large-scale industry there are many workers who know little of the purpose of the operations they themselves perform, who know nothing of the essential part these operations play in the scheme of production of their own factory or industry, far less of the national economy. They come to regard their own task as an unpleasant penalty to be paid as the price of the means of subsistence. They have no picture of their work as a part of an industrial or national project, as an essential element in the feeding and housing of themselves, their

fellow countrymen and their fellow citizens of the world. They do not see their own humble labour taking shape in the form of new communications opening the world to international understanding. In short, the working man has become, and has come to regard himself as, a mere cog, the purpose of which he knows not, in a vast machine established for ends which in no way concern him. Every means which can be employed to make clear to the worker the essential part which he plays in his own department, the manner in which that department contributes an indispensable element in the output of the factory, the role which the factory has assigned to it in the industry of which it forms a unit, the place of that industry in the complex national economy, demonstrates to him his worth as an individual and his share as a partner in a great enterprise. Every means that can be devised to inform him of the plans of management, the new methods that are contemplated, the new products that are envisaged, the human needs they are designed to satisfy, proves to him that reorganization has a purpose which will benefit him and his fellow men and is not dictated by the personal whim of some unapproachable tyrant. Every opportunity that can be taken of listening to, discussing and adopting the practical suggestions which he can make for the better ordering of the tasks he performs will produce a double dividend in improved methods of production and in fostering the cooperative spirit on which all production depends.

All this which is of the spirit can be combined with more material incentives of a collective nature—collective bonuses and profit-sharing—but it is a mistake to

regard the monetary elements in such schemes as their sole incentive power. If that were the case, the end in view would be better achieved by applying individual payment by results. They should be regarded rather as a means of fostering the collective spirit and of demonstrating the partnership and mutual interdependence of all those engaged in industry. The fostering of the competitive spirit in work, the setting of one squad against another, of one department in opposition to the next, to achieve production records is of more doubtful value unless it comes spontaneously from the workers themselves. Among workers of an ingenuous nature, competition for the right to display a banner in their department for a month may do no harm; a simple-minded worker may not consider a prettily printed certificate proclaiming him the best worker of the week a cheap substitute for incentive pay; but such devices coming from the employer smack of condescension and paternalism. Such forms of rivalry and friendly competition are better reserved for activities such as sport and games upon which men enter without thought of monetary reward.

The whole field of welfare is one in which much can be done to combat the sense of frustration of the industrial worker, to relieve him of personal and family worries, to improve his health, to afford him a means of self-expression, to offer him some sphere in which he can excel all others, to help him to a wider conception of life. If within the field of welfare and particularly that part of it which comprises sport and games a large measure of self-government can be left to the workers, even in

the management of facilities provided by the employer, a sense of responsibility, initiative and cooperation can be fostered and often among those whose daily tasks afford them the least opportunity of developing characteristics so essential to industrial enterprise and wise citizenship.

To sum up, then, no forms of incentive in industry can afford to be neglected. Some of them—the pains and penalties, the negative incentives—we may hope to reduce to a minimum and, in any event, in certain industrial conditions their effectiveness is likely to diminish. Individual incentives of a material nature are probably still the most important but these need not necessarily all take a monetary form. There are other conditions of employment than wages which are capable of forming incentives. Lastly, in a time when mankind has become so interdependent, when the potential rewards of collective effort are so great and so alluring, any means open to foster the collective spirit and to enable the people to reap its rewards must be utilized to the utmost. Such a task should be regarded as part of a vast national and international task of education on which the welfare and indeed the survival of mankind depend, a task which is not solely the concern of industry but in which industry can play a vital part.

## *Fifth Lecture*

### S O C I A L   S E C U R I T Y

**T**wo of the actuating forces in human endeavour, two of the springs of human progress have been the call of adventure and the desire for security. They are two motives which seem widely different and of which the results at first sight might seem likely to be totally inconsistent. One may seem to call forth the more exciting qualities in human nature; the other may seem more suited to methods of dull and pedestrian progress.

The cry today is for security; mankind in the present century has had more than its share of adventure. The need of the time is to combine security with initiative, from which all human material progress must spring and on which security, if it is not to degenerate into stagnation, must depend. Perhaps some degree of the disfavour into which adventure has today fallen arises from a feeling that, while the risks attaching to failure are no less than previously, the rewards accruing to the individual from successful initiative are drastically curtailed. The reward of initiative always did accrue to a wider circle than that of those who exhibited the virtue; the widening of the charmed circle was in the past, however, a slower process and less obviously visible than it is today. In times of national emergency, national security was sufficient incentive to evoke individual initiative. Social security is a form of national security in the sense



that it accrues to the nation as a whole; the problem of the day is to arouse a form of collective initiative within every country so that the nation may enjoy social security. The problem presents its converse aspect also. In former days individual security depended on individual initiative. In whatever degree security was desired, in that degree was initiative called for, even if it were merely the initiative of hard and honest toil. Today, initiative is called for to increase not the individual's security but the security of the nation. Collective security would seem to call for a more imaginative presentation to the people in order that collective initiative may replace as a driving-force the lost sources of energy deriving from individual initiative.

In the striving after social security, it is possible to distinguish three main competitors who, at various times and still today, make provision against the vicissitudes and misfortunes of industrial working life, namely, the worker, the employer and the state. At certain times they have been in rivalry. The modern tendency is towards cooperation between the resources of the state, the employer and the worker, but the control and direction seem to have passed from the direct partners in industry to a generous, paternalistic and all-providing state. While such a movement of emphasis is probably inevitable and possibly desirable, it tends to obscure the fundamental truth that all social security can spring from only one source, production, and to encourage a form of delusion—it cannot in the minds of even the most rudimentary thinkers be graced with the appellation of belief—that some hidden untapped source

of wealth which produces itself lies in the hands of the state or, at least, is evoked by the magic of a Finance Act. The state can only redistribute wealth; the efforts of those engaged in industry—taking that term in its widest sense to include all useful human activities—can alone create it. It is true that redistribution of wealth is nowadays justified not only on the traditional ground that it is morally right to secure greater equality and morally wrong to perpetuate great inequalities of wealth, but also in modern economic theory on the ground that insufficiency of effective demand is at the root of economic depression and can be rectified by placing greater purchasing power in the hands of those who will expend it on consumption goods. This happy discovery which has enabled the economist to reconcile his moral instincts with his scientific research has, however, not solved the problem of combining individual initiative with collective security.

The origins of social security are to be traced in the humanitarian, rather than the scientific, justification of redistribution of wealth. Private and religious charity is in most countries the earliest form of relief of need, in some it is still the mainstay. Charity is in itself, according to religious teaching, a virtue. Today, the exact degree of virtue inherent in the traditional forms of charity is more questioned but, be that as it may, charity like so much in modern life has lost much of its individuality and assumed also a collective nature. The need for individual charity diminishes as the state assumes ever-increasing functions and the object of charity tends to direct itself towards education, rather than relief, and in

education towards higher projects of research, rather than elementary instruction. The sources of charity also have become those aggregations of wealth—the joint-stock company and the public corporation, rather than the individual. The scale and methods of present-day taxation have effectively dried the source of individual charitable donations of the spectacular character which past generations have seen, without diminishing but rather encouraging the endowment by great combines of educational and other projects which they have regarded as a more suitable repository than an Excess Profits Tax for some part of their disposable surplus.

Charity, however, even in its more traditional and individualistic form, is ill-suited to relieve the manifold needs, and too haphazard in its distribution to be adopted as the sole agency, in the social field in any but the most primitive communities. The second stage of development is therefore that of state relief or Poor Law relief. It is an early sign in most countries of the awakening of the social conscience and is designed perhaps more for the easing of the susceptibilities of the fortunate than for the comfort of the distressed. The sight of starvation makes luxury turn sour in the rich man's stomach; state relief of destitution in the early days of the Poor Law had in it little to pander to the tastes of any of the population who might be tempted to prefer doles to industry.

It was a desire for something more palatable than state relief which was one of the driving forces behind the trade union movement in Britain in its early days and again at a later stage before the development of the mass trade unionism that we know today. This was not

at any time the sole force—or even often the main force—which drove workers to combine but it has at all times, except perhaps our own, been a powerful incentive. The sharing of risks is not a modern invention of insurance companies; it is an age-old instinct of the human race. Many of the associations which subsequently developed into trade unions were in their origin mutual insurance associations—‘without branch offices or agents’ which appears to be the guarantee offered in our time of the economical administration of such institutions—merely a few people with a common interest, possibly a common workplace or a common house of refreshment, endeavouring in a very humble way at the cost of a few pence per week to make some provision against the manifold hazards of an industrial life. Not only did such informal associations develop in some cases into trade unions but they constituted an element of stability in the trade union movement, which associations formed for more ephemeral purposes did not possess. The pressing need to contest some oppression, the enthusiasm to demand some social reform, the zeal to secure improved working conditions or to retain threatened standards, gave rise to more spectacular movements from time to time, but once the object of the movement was achieved or, even more certainly, once defeat had to be admitted, these temporary movements subsided as quickly as they had arisen. Associations on the other hand, however informal they might be, however small in their origin and gradual in their growth, which included, in addition to trade objects, the provision of benefits to their members had a permanence of reason for association which enabled

them in many cases to survive the triumphs and defeats of industrial negotiations. The benefits which such societies in their early days, and even when they developed beyond the embryo stage and became what we would now call trade unions, were able to provide, appear by modern standards pitifully small; the benefit conditions were strict and were strictly enforced. There was no danger of exploitation of benefit funds by the work-shy when potential beneficiaries were subject to the supervising eye of each of the contributors.

Perhaps the heyday of social security as a part of trade union structure in Britain was the time of the New Model Unionism which grew in the 1840's, achieved widespread notice with the formation in 1850 of the Amalgamated Society of Engineers (the forerunner of the Amalgamated Engineering Union of today), flourished in the 1860's and 1870's (the period which saw the final emancipation of trade unionism in Britain and the institution of the Trades Union Congress), went into decline in the 1880's and was eclipsed in the 1890's by a new pattern, the New Unionism which placed less emphasis on friendly-society and benefit activities. There was much in the New Model Unionism besides insurance benefits and it did much for the working classes besides enhancing their financial security. Its greatest services, however, to the trade union movement were a direct result of its activities in these fields. It gave stability at a time when stability was the outstanding need of the trade union movement in order that it might demonstrate that it represented a continuing association with long-term policy; it brought to the leadership of the trade

union movement men who were prepared to apply orderly and business methods rather than rely merely on swaying the masses by florid oratory; it gave to the trade union movement a sense of responsibility because leaders who were charged with the trusteeship of funds were not prepared to see them frittered away in useless and hopeless conflict; it gave to the trade union movement a stable membership and a financial status which enabled it to realize its strength when conflict was inevitable.

This New Model Unionism had within it elements which, however essential at the time, proved in the end a source of weakness. It was exclusive and it provided benefits at a cost which was beyond the reach of any but the aristocracy of the workers. Moreover, in addition to this form of exclusiveness it exhibited the fastidiousness of an insurance company by its unwillingness to admit to membership those who on account of age or other circumstances might be an undue burden on its funds. It was autocratic; the safeguarding of its benefit funds demanded strong central control and uniform administration; the autonomy of the local branch was inconsistent with its aims and policy; the central direction which exercised power tended to lose touch with the membership in the works, from whom in the last resort all power is derived. It tended more and more to discourage an aggressive trade policy so much was it obsessed by the need to conserve its finances, it had little use for socialists or socialism; it was opposed to direct intervention in politics and relied on such persuasion as it could exercise on the Liberal Party and on Liberal Governments.

The 1890's, therefore, saw the growth of the New Unionism as it became known, which, though it benefited by the lessons of efficient administration which the New Model had taught, was its antithesis in most matters of policy. It sought to organize the masses; its creed was the solidarity of the working class; it believed in political action. There is much in the movement which resembles the forces which led in the U.S.A. in 1938 to the formation of the Congress of Industrial Organizations in opposition and rivalry to the American Federation of Labor, with this difference—as in so much that concerns matters of industrial relations in the U.S.A.—that the movement there occurred half a century later and with the further difference that the same result was achieved in Britain without shattering the central organization of the workers into two bitterly opposed factions. One notable distinction between the Old Unionism—as the New Model now became known—and the New Unionism was the different attitude of the latter towards friendly benefit schemes.

John Burns, who in 1906 became the first working man to rise to the rank of Cabinet Minister, writing in 1887 said of the Old Unionism that, constituted as it was, it carried within itself the source of its own dissolution. He went on to say: 'Their reckless assumption of the duties and responsibilities that only the state or whole community can discharge, in the nature of sick and superannuation benefits, at the instance of the middle class, is crushing out the larger Unions by taxing their members to an unbearable extent. This so cripples them that the fear of being unable to discharge their friendly society liabilities often makes them submit to encroach-

ments by the masters without protest. The result of this is that all of them have ceased to be Unions for maintaining the rights of labour, and have degenerated into mere middle and upper class rate-reducing institutions.' The New Unionism, however, was not opposed in principle to friendly society activities within its ranks and many of the most active trade unions continued their activities in that field; the change of policy or rather of emphasis was more an incidental result of the fact that the masses whom the New Unionism sought to organize could not at that time afford the contributions necessary to finance anything more than the minimum of activities extending beyond trade purposes.

The direction, however, of the new policy in social security which was to be pursued by the New Unionism was clear from the outset. In the words of John Burns, social security represented 'duties and responsibilities that only the state or whole community can discharge'. The New Unionism believed in political action and before long began through the Labour Party to organize itself to take it. The first steps in state action towards social security were, however, slow and hesitating in Britain and strangely enough taken, not at the expense of the state and not as a cooperative effort on the part of the state and industry, but at the sole and direct charge of the employer. In Britain, as in most countries, the origins of social security—if we mean by that term something more than the mere relief of destitution—are to be found in provisions affecting the legal liability of the employer for accidents suffered by the workman at the place of and in the course of his employment. The



first step—if we seek the very origin—is to be found in the Employers' Liability Act of 1880 imposing certain restrictions on the employer's defence of 'common employment' in actions at Common Law by workmen for injuries caused by negligence of persons in positions of superintendence. The second step did not come till 1897, the year which saw the passing of the first Workmen's Compensation Act, providing—again at the charge of the employer—but only in a few specially dangerous industries, for the payment of compensation to workmen who suffered injury at their work even though neither the employer nor his servants had been negligent in any way.

In Germany too Workmen's Compensation legislation figures early in the list of social insurance measures—as early as 1884—and also in the U.S.A. where the first State laws on the subject to be held constitutional are as late as about 1913.

A new conception of social security appears for the first time in Britain in 1908—social security provided at the sole cost of the state in the form of Old Age Pensions. The amount of the pensions was small and in no way equal to the cost of maintenance even at that time. This may be regarded as a development of the Poor Law system, as the pensions were payable subject to a test of means but they were very differently regarded by the beneficiaries who were thus able in old age to eke out a modest existence without the stigma and deterrents of the Poor Law and without humiliating dependence upon their descendants. The Old Age Pensions under the Act of 1908 raised the problem, however, which has

always been a dilemma in relation to social security. If a means test is imposed, thrift is discouraged and the system is unfair as between those who have endeavoured by sacrifice to provide for their own needs and those who have imposed upon themselves no such restraints. If no means test is imposed, it may be impossible within the resources available for the purpose of social security to provide adequately for real need. This problem did not arise critically in the case of the non-contributory pensions under the Act of 1908 because the small amount of the pension prevented it from being a real deterrent to those who were able and willing to make provision for their old age; but in a measure it was there and the development of social security thereafter followed a different line.

The modern conception of social security is that of the contributory system which in Britain dates from 1911. The legislation of that year provided—at the joint expense of state, employer and worker—National Health Insurance, covering all industries and comprising Sickness, Disablement and Maternity cash benefits, General Practitioner medical attention and supply of prescribed medicines; and Unemployment Insurance applicable to about  $2\frac{1}{4}$  million workers in industries of specially fluctuating employment.

Little purpose would be served by, nor is the present the time for, a detailed description of the steps by which this system, started so hesitatingly and developed so haphazardly, has now reached a stage when the whole of the industrial, commercial and agricultural employed population—with the sole exclusion of non-manual workers earning more than £420 a year—is covered by a

variety of schemes which provide cash benefits for Unemployment, Sickness, Disability, Maternity and Old Age without any test of means; supplementary assistance subject to a means test for those who require their benefits supplemented or who have fallen out of the insurance schemes; and benefit in kind in the shape of medical attention, medical requirements, rehabilitation of the injured and training for new employment. Any such detailed examination would necessarily partake of something of the nature of a post-mortem, for this whole body of social security legislation, if not dead, is doomed to die within the next two years and to be replaced by a still more comprehensive system which is comprised within four Acts of Parliament already passed—the Family Allowances Act, 1945, the National Insurance Act, 1946, the National Insurance (Industrial Injuries) Act, 1946 and the National Health Service Act, 1946.

While a detailed examination of the existing legislation is therefore out of place, it may still be useful to inquire the reasons why such a comprehensive system—at least as comprehensive and certainly as expensive as that of any country—has been superseded. The answer is to be found partly in the manner of growth of the existing system; partly in a realization that there are other participants worthy of sharing in social security than the manual worker who is employed under a contract of service; partly in the growth of a new conception of the national minimum; partly in the development of a new economic theory.

The existing system had developed piecemeal; it constituted a series of unrelated measures and not a

coordinated whole; while there was a reasonable degree of uniformity in regard to the persons covered by the various schemes, there was a striking lack of uniformity in regard to benefits and a considerable overlapping; it called at least for a degree of tidying-up if it were to have any pretensions to a coherent system and a social purpose. To cite but one example, there is no obvious social reason why a person who is unable to earn his livelihood because employment is not available should be differently compensated from one who is similarly unable owing to his having suffered an accident in the course of his employment, or who may have had the misfortune to break his leg on his own door-step, or who may be suffering from influenza. Nevertheless, under the schemes which were operating at the time when Sir William Beveridge undertook at the request of the British Government the inquiry out of which the new comprehensive scheme has been evolved, a man with a wife and two children who had the misfortune to suffer from these social ills was differently treated to the following extent :

			Maximum Weekly Benefit
Unemployment Insurance	. . .	..	38s.
Workmen's Compensation	. .	...	43s
Health Insurance ( <i>i e.</i> accident unconnected with employment, or illness)			18s. for first 26 weeks and 10s 6d. there- after.

With regard to the beneficiaries of the existing scheme, it included the manual worker whatever his earnings but excluded the clerk earning over £8 per week; it included the employed person but excluded the shopkeeper;

it endowed with reasonable generosity old age but made little provision for childhood; it provided medical attention for the working man but none for his wife and children.

Perhaps, however, the principal reason underlying the new scheme is that of the national minimum; a new conception of the duty of the state to provide a minimum standard adequate for reasonable and self-respecting existence in childhood and old age, in sickness and health, in employment and unemployment; a conception which according to the individual viewpoint may be described as an act of justice and faith and the realization of the true function of the state, or as a colossal gamble, or even as a long-term swindle. If it is a gamble, the stakes are certainly high; if it is an act of faith, its justification will reap a rich reward.

The economic argument on which the new system is based is not perhaps a principal motive of its introduction but rather a reason adduced to aid the courage of those whose predilection already tended to the grandiose but who were rather astounded by their own temerity. Or alternatively it was used to silence the arguments of those who raised the simple question 'Can we afford it?' or who inquired 'How will this scheme affect prices and thereby the export trade?' The economic argument is simple. It is that increased production will not alone abolish want; increased production will indeed be prevented unless purchasing power is maintained. This can be done through social insurance which redistributes wealth not only between different periods of the worker's life in a form of compulsory saving in time of health,

employment and manhood to provide for the needs of sickness, unemployment and old age, but also between different classes of the population by means of taxation.

These are notable changes in the conception of social security as it has hitherto operated in Britain and, as is only to be expected, they have meant notable changes in the practical application of the social insurance legislation. We shall have for the first time a really comprehensive health scheme providing medical and surgical treatment of every description and not merely a general practitioner service; providing it for the whole population and not merely for the insured worker. We already have—for this is the first part of the new comprehensive scheme to be put into operation—a system of children's allowances applicable to the whole population in so far as they are parents of more than one child. We shall have an insurance scheme applicable to the people as a whole and making provision against all the misfortunes and all the inevitable happenings of life in modern industrial conditions.

Figures of cost—particularly in times of rapidly changing money values—provide a not altogether complete picture but, as a measure of the growth of social security and as a means of readily grasping the significance of the developments over a period of time, the following figures are not without interest :

1901 Poor Relief and Workmen's Compensation	...	£4 millions	
1939 Unemployment Insurance and Assistance	...	£78	„
National Health Insurance	...	£40	„
Contributory and Old Age Pensions	...	£98	„
Industrial Injuries	...	£10	„
Public Health	...	£28	„
Poor Relief	...	£49	„
	Total	£303	„

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<i>New Scheme</i>	<i>1948</i>	<i>1978</i>
Industrial Injuries Act	... £27 millions	... £27 millions
National Insurance Act	... £452 „	... £749 „
Assistance	... £57 „	... £36 „
Health Services	... £152 „	... £152 „
Children's Allowances	... £59 „	.. £52 „
<hr/>		
Total	... £747 „	... £1016 „

Of these sums of £747 millions and £1016 millions, the state will contribute approximately £375 millions and £650 millions respectively, leaving for division between the employers and workers as their share of the cost in each period some £370 millions. The burden of the employers' and workers' contributions may be gauged from the following comparisons of weekly contributions for adult male workers :

	<i>Prior to October 1946</i>	<i>Under New Schemes</i>
Employer . .	1s. 11d. plus cost of Workmen's Compensation	4s. 2d.
Worker ...	1s. 11d.	4s. 11d

In the midst of such comprehensive changes there is one factor which provides an interesting element of stability and that is the retention of the contributory system and indeed its extension to the compensation of industrial injuries. Nevertheless, this principle is not uncontested and it is possible to foresee a considerable movement in favour of a system which would be at the sole charge of the state and whose finance would be derived exclusively from general taxation. There has also been retained the principle, which has throughout been a feature of British social insurance, of not varying contributions or benefits in accordance with the earnings of the insured. There are variations in accordance with age and sex but, with that exception, the contributions and benefits under the

scheme will be uniform and unrelated to earnings. Indeed, in this respect, the principle of uniformity has been extended and the relatively small degree of variation of compensation in accordance with normal earnings which formerly applied under the Workmen's Compensation Acts has been abolished. The result of the maintenance of this principle is that there is undoubtedly left a place for voluntary schemes, particularly for the higher-earning classes, for self-insurance or for schemes of insurance in collaboration between employer and worker and above all in relation to retirement. A joint retirement pension of 42s. per week for man and wife—as the new state scheme provides—may be adequate or at least reasonable for a man who earned in his working life £5 a week and whose wife was not gainfully employed. It is, however, obviously insufficient and requires supplementation by other means—voluntary thrift, self-insurance or employer-subsidized superannuation schemes—for the manager who earned £1000 a year.

With regard to how far the scheme has achieved the objects which were at the root of the proposals for revision there is at least one respect in which it has failed lamentably and that is in regard to achieving uniformity of provision for similar needs and thereby not only satisfying claims of equity but also simplifying administration by obviating inquiry as to which of several misfortunes is the cause of admitted inability to earn a livelihood. The opportunity of achieving uniform scales of benefit has been missed and compensation for industrial injuries will remain substantially higher than for the other risks



which the new scheme covers. An interesting phenomenon, which of course the new scheme has not created but to which it has drawn marked attention and which will seriously aggravate the difficulties in the way of its success, is the increasing average age of the population of Britain due in part to increasing longevity and in part to the declining birth-rate. The estimated cost of Retirement Pensions under the Scheme will rise from £238 millions in 1948 to £501 millions in 1978 which in itself accounts for almost the entire increase in the cost between these two periods.

If in this review of social security I have given emphasis to the position of Britain, it is because the important developments taking place seem likely to set a model for other countries. Among the smallest countries, important developments have taken place in recent years in New Zealand; and in the greatest industrial country of the world proposals are mooted, but no progress has been made, in plans for some form of Health Insurance. The U.S.A. in such matters has shown a slowness to develop which is only partly accounted for by the difficulties of Federal Legislation. So far as Social Insurance is concerned these difficulties were surmounted by the use of the power of Congress to levy taxation and the validity of the Social Security Act of 1935 was upheld. This Act, providing as it did for Unemployment and Old Age benefits, was a notable advance in social legislation and an essential part of the New Deal. There, however, the matter has rested, and whatever may be said about lack of social legislation in industrially less advanced countries it is beyond doubt that for a country

such as the U.S.A. there still remain some outstanding gaps in its social structure.

The lessons to be derived from the history of social insurance in Britain and other countries may perhaps be summarized. Social security is clearly an objective of the working man but does not in itself contain the elements of incentive necessary for its achievement ; it may indeed, if other factors are not present, be a deterrent. In any highly developed form it is, therefore, suitable only for a society which by the education of its people or by some other means has been able to develop a collective social conscience. The contributory principle under which the cost is shared by employers, workers and state may be regarded in some measure at least as a psychological factor contributing to the development of such an attitude of mind.

If a complete system of social security cannot be provided, there are certain priorities which may provide a guide to its development. These priorities are of two kinds—humanitarian and productive—those dictated by the social conscience and those which will yield the best material dividend. Among the humanitarian priorities must be listed the relief of destitution, and undoubtedly it is in this field that the first steps must be made. Relief of destitution, however, implies need and need may arise not only from misfortune but also from improvidence. A system, therefore, which confines itself to relieving destitution encourages improvidence and offends against all sense of fairness. It is not long, therefore, in the course of industrial progress before the demand is clear for a system which brings benefits without

test of means even though these benefits may be extremely small in amount and though they may require supplementation subject to test of means in case of need. High on the list of humanitarian priorities also is provision for old age. It is a provision which, not only in his old age but throughout his industrial life, is perhaps the most highly prized by the worker. It is a provision which in itself, however, brings no dividends and which, with increasing longevity and the tendency to early retirement from industry which it induces, may impose an intolerable strain on the finances of social insurance and the economy of the country. Humanitarian grounds also demand the compensation of those who suffer injury in the service of industry and, as such compensation is usually at the charge of the employer, the state has less hesitation in instituting compulsory requirements. Compensation of industrial injuries, however, if wisely designed and combined with measures for rehabilitation and retraining, can pay a handsome dividend in the betterment of industrial relations and in the restoration to industry of trained and experienced workers.

All social security has of course its humanitarian basis but it is notable that those services which are likely to be the most utilitarian, which offer the greatest material return, are the latest to be developed beyond the most primitive stage. The subject of children's allowances and the nature of the wisest expenditure for the proper development of the nation's most precious future asset are matters perhaps too controversial to be developed here, but the neglect of expenditure on the welfare of children while money is lavished on the aged may be

a reflection either of the fact that the old age pensioner has a vote while the child has none, or of an assumption by the state that there is a greater natural family instinct and willingness to incur sacrifices by the parent for his child than by the grown man for his ancestor. In the same category of relative neglect in the field of social insurance is provision of health services. Expenditure is freely incurred to alleviate the sufferings of misfortune but relatively little is done to preserve the health of the nation on which its producing capacity depends. Here, of course, factors other than mere cost impose limitations. A vast expansion of trained medical and dental practitioners and of medical and surgical facilities may be required before anything in the nature of adequate health services can be offered to the community. Training of practitioners in its turn requires training facilities which cannot be provided in a day. It is, however, by no means certain in all communities that the greatest advantage is being taken of all the existing facilities for higher education, and one is entitled to ask whether greater social benefit could not derive in some countries by diversion of ambition from the overcrowded avenues of learning that lead to the profession of the law and politics into the less spectacular realms of medicine.

The aim of those who contemplate a system of social security should be to establish an order of priority best suited to meet the needs of the country concerned, to provide not merely future liabilities but to develop future assets and so to build the foundations of a structure on which future advance can be made towards the pinnacles of refinement of freedom from want.

## *Sixth Lecture*

### JOINT CONSULTATION IN INDUSTRY

**J**oint negotiating machinery in industry for the settlement of wages and working conditions tends to emphasize the conception of two opposing parties with conflicting interests each mustering its forces, endeavouring by show of strength to exact the greatest possible concession from the other, prepared in case of need to appeal to the ultimate test of open hostility. Joint consultation in industry on production questions places emphasis on two partners with a common interest endeavouring to maximize the product of industry on which their common prosperity depends, even of joint trustees charged on behalf of the community with the custody, control, organization and operation of a national asset with which the standard of living of the people and the economic stability of the country are inextricably involved. Neither conception is wholly accurate although each contains a germ of the truth. Emphasis in the past has been principally on devising an efficient machine for dividing the existing cake in equitable proportions; less attention has been devoted to means for enlarging the size of the cake. Out of effective machinery for settling conditions of labour, however, there has often grown up mutual trust, respect and cooperation. Conversely, ineffective machinery for joint consultation has sometimes bred suspicion and hostility.

The conception of a partnership in industry is one which is often referred to but rarely defined. It is too often taken to mean either profit-sharing, which is not sufficient in itself for there must also be cooperation in profit-making; or joint management, which is absurd for whatever the system of ownership of industry—public or private—management is a skilled occupation not to be undertaken without training and experience.

Profit-sharing can never be a complete solution to the problems of industrial cooperation because a living wage must always be a first charge upon industry so long as it continues to operate and whether it makes a profit or not. When that is so the share of profits accruing to the workers, however pleasant an addition it may make to wages when profits are earned, can never be the major factor in incentive to production. In any event, if the worker is to be a real partner in industry, he must contribute more than his labour; if he is to be differentiated from the machines he operates, he must be given a sense of responsibility for the undertaking; if he is to avoid the frustration which is the negation of all enterprise and initiative, he must contribute his mental as well as his physical quota.

Joint consultation is no new invention. In various forms—suggestion schemes, joint safety councils, works councils—it has long operated in individual works in America, Britain and elsewhere and has supplemented and completed the longer-established arrangements for collective settlement of wages and conditions of labour. The Whitley Committee which was appointed in Britain in 1916 made recommendations in regard to wage-

fixing machinery but refrained 'from making suggestions or offering opinions with regard to such matters as profit-sharing, co-partnership, or particular systems of wages, etc. It would be impracticable for us', they pointed out, 'to make any useful general recommendations on such matters, having regard to the varying conditions in different trades. We are convinced, moreover, that a permanent improvement in the relations between employers and employed must be founded upon something other than a cash basis. What is wanted is that the workpeople should have a greater opportunity of participating in the discussion about the adjustment of those parts of industry by which they are most affected'. With this end in view, they proposed 'the establishment for each industry of an organization, representative of employers and workpeople, to have as its object the regular consideration of matters affecting the progress and well-being of the trade from the point of view of all those engaged in it, so far as this is consistent with the general interest of the community'. This organization for each industry was to consist of a Joint Industrial Council, District Councils and Works Committees, and among the suggested subjects to be dealt with were: 'the better utilization of the practical knowledge and experience of the workpeople; means for securing to the workpeople a greater share in and responsibility for the determination and observance of the conditions under which their work is carried on; technical education and training; industrial research and the full utilization of its results; provision of facilities for the full consideration and utilization of inventions and improvements designed by the workpeople, and for the

adequate safeguarding of the rights of the designers of such improvements; improvements of processes, machinery and organization and appropriate questions relating to management and the examination of industrial experiments, with special reference to cooperation in carrying new ideas into effect and full consideration of the work-people's point of view in relation to them '.

The scheme proposed by the Whitley Committee was admirable on paper, but it suffered from the defect that it was at the same time too revolutionary and too conservative. It underestimated the value attached by both employers and workers to machinery of negotiation, which in the major industries had been built up over many generations and which, though it had no neat and orderly uniformity about it, they were unwilling to tear up by the roots in order to experiment with the new system. It underestimated the hostility and fears of management at the time as to anything which would encroach on managerial rights and functions. It underestimated the suspicion of the workers towards works committees which might come under managerial domination and undermine the position of the trade unions. On the other hand, the recommendations as to the functions of the new machinery, so far as they extended beyond conditions of labour, were vague and contained little to tempt either management or labour from the traditional attitude of holding off at arm's length. The scheme was designed to produce a new atmosphere in industry; it required a new atmosphere for its adoption. There have been successful Joint Industrial Councils but they are rare in the larger industries, which have



preferred to maintain, adapt and improve old and well-tried systems of negotiation and consultation concentrating mainly on the negotiation of wages and conditions of labour and the avoidance and settlement of industrial disputes. There have been—and there were even before the Whitley Report—successful works committees and councils but they followed no set plan and were the exception rather than the rule in so far as they dealt with problems of production.

The Second World War provided both the necessity and the opportunity for a wide extension of joint consultation in industry, for securing to industry the full contribution which workers can make by experience as well as effort, for affording to the workers a greater share in and responsibility for the conduct of industry. Joint consultation, as devised and practised during the war, recognizes the contribution which the workers can make and the status they are entitled as partners to be accorded at three levels of the productive effort—in the factory, in the districts and at the national level. War-time joint consultation omitted one stage which in a planned economy is perhaps the most important of all—consultation at the industry level—an omission which is now receiving the attention of the workers and their trade unions.

Joint consultation, whatever the level at which it is practised, whatever the procedure by which it is applied, demands for its success the same requisite as all aspects of industrial relations. It requires sincerity. It is not something to be entered upon with mental reservations on either side. Its purpose must be clearly understood

and accepted as being that of producing both material circumstances and an attitude of mind in which industrial production will be maximized. It supplements and is supplemented by adequate wage-fixing machinery, but the two procedures must be kept separate and distinct. Joint consultation is cooperation and not bargaining. If it is embarked upon in a spirit of purchasing or exacting or selling cooperation, it is doomed to failure. Material benefits are the result and not the price of cooperation.

The spirit in which joint consultation was developed during the late war demonstrates that it is based on no narrow individualistic conception of material benefit. Material benefit can and must result, but there is no assurance that he who gives most will receive most. Only when all give of their best will all receive in such abundance as human ingenuity can provide. The impetus behind joint consultation during the war was not the promise or even the hope of better immediate material conditions for those who gave of their best or even for the community as a whole. It was not entirely even a seeking after greater gains in the future, for many who gave most in the cooperative effort knew that the standards of material prosperity they had known in the past were never likely again to be their privilege. The motives of the productive effort then were in essence the preservation for mankind of a way of life rather than the enhancing for individuals or for all of a standard of living. The success of the cooperative effort now and in the future demands the realization by all in no narrow spirit that its success can benefit mankind and it demands the

enlistment of the services of all who can contribute to that effort.

The schemes of joint consultation in regard to production at the national, district and industry levels have a twofold importance. They are designed to secure the pooling of ideas between representatives of management and workers and, in certain cases, Government, in order to ensure the best utilization of human and material resources. They are also designed to secure the influence of organized opinion in support of the plans for joint consultation at the factory level. In times when there is conscious direction of the national effort, it is necessary both to test the plans by the practical experience of the representatives of those who will operate them, and to secure the maximum degree of support from representative organizations. The machinery designed for this purpose at the national level in Britain in war-time was the National Production Advisory Council consisting of three representatives each from the two central organizations dealing respectively on behalf of employers with labour and commercial questions, six representatives of the Trades Union Congress, and eleven representatives of employers and workers drawn from the Regional Production Boards, with the Minister of Production as Chairman and other Ministers attending as necessary. Its functions were 'to advise the Minister of Production on general production questions (excluding matters which are normally handled by the joint organizations of trade unions and employers in connexion with wages and conditions of employment) and such subjects concerning production as may arise from the proceedings

of the regional organization '. It handled matters placed before it for consideration and advice by the Minister of Production and other Ministers, questions which arose from the discussions in the Regional Boards and required national consideration, and subjects raised by the employers' and workers' representatives directly. It afforded an opportunity to the Government of informing those engaged in industry of its plans when all planning was directed to one end, of changes in production which seemed arbitrary and disturbing to the national effort but which were in reality necessitated by the changing military situation. It provided industry not only with an opportunity of testing the Government's plans in the light of its practical experience but of placing before the Government its own proposals as to how an agreed objective could be better secured with greater economy in the vital factor of manpower. If it did not always result in unanimity of view, it at least ensured that differences did not arise from needless ignorance of the necessities, or avoidable misunderstanding of the facts, of the situation.

The functions of the Regional Boards—which consisted also of representatives of Government Departments and of the employers' and workers' organizations—were similar, but they were particularly charged with the duty of ensuring the fullest and most efficient use of the industrial capacity of the region. In that connexion they provided a consolidated organization for all Government Departments which sought to place contracts and which would otherwise have been competing against each other for available industrial capacity.

The arrangements in the United States of America for national and regional consultation on production questions followed a rather different pattern. The Chairman of the War Production Board, it is true, established a Labor-Management Council consisting of representatives of the national workers' and employers' associations but no provision was made for direct representation thereon of the regional production machinery and, in any event, the Labor-Management Council played no great part in achieving the magnificent productive effort which characterized the American participation in the war. Reliance was placed rather on the fact that many of the staff and officers of the War Production Board were drawn directly from trade union and management circles. In addition, in each of the important industries, there were set up a management advisory committee and a labour advisory committee to contribute the views of management and workers respectively on the production problems of their industry. These two committees did not, however, as a rule sit jointly and therefore an opportunity for harmonizing the views of the two sides of industry on general production problems was missed. In the regions and districts also of the United States, no system of joint consultation by direct representatives of employers and workers was established and again reliance was placed mainly on including in the staff of the regional and district offices of the War Production Board persons well acquainted by their peace-time occupations with the views of employers and workers. In these aspects the procedure of the War Production Board both at national and lower levels

provides an interesting contrast with the procedure of the War Manpower Commission. The latter, concerned with the mobilization of manpower, ascertained the views of employers and workers by means of joint committees. The former, concerned with the problems of production, never achieved that form or degree of cooperation and had to avail itself mainly of the assistance of individuals who were appointed to its staff on account of their experience in trade union administration or in management.

Interesting as are the war-time problems of securing war-time cooperation at the national level for productive effort, these are in the main problems of planning in a time of shortage of materials, of plant, of machines and above all, of men to ensure that all resources are employed and to assign priorities. Such planning is not primarily concerned with the problem of instilling a desire to secure the greatest productive effort from those on whom in the last resort, after all the planning has been done, after all the re-modelling and re-equipping of industry has been completed, after all the nation's resources are fully utilized, the production depends. That is the problem of joint consultation at the factory level. Joint consultation at the factory level can contribute its share to securing more efficient methods, to improvement of design, layout and plant. The employer who argues against joint consultation on the ground that he employs experts to advise him on these matters misses, however, the main point of joint consultation at the factory level. No worker can or will give of his best merely because the plans of the management are the best, the machinery the most

modern, and the facilities the greatest. He will not necessarily do so even if he is told that such is the case. He should have an opportunity of discussing whether in fact it is so and of being convinced. Possibly, in the course of such discussion—which need not of course take place on the factory floor and in the midst of the industrial process—management, however many experts it may employ, may, if it approaches the subject in a receptive frame of mind, learn something to its advantage.

The period of the late war did not see the initiation in either Britain or America of joint consultation at the factory level as it did at the national level. Enlightened management in both countries had long seen the advantages to be gained and conferred by taking the workers into their confidence, and securing the results of their practical knowledge. The arrangements which were developed during the war, however, provided both a pattern and an impetus which transformed joint consultation at the factory level both in content and in scale of operation.

In Britain, the advantages to be secured by offering every section of workers their full opportunity of contributing their share to the planning of the national war effort were early recognized and existing methods of joint consultation within the factories were extended and new methods were devised. For a time, however, the movement was to some degree prejudiced by an ill-advised proposal which was mooted to make the establishment of Joint Production Committees compulsory. Fortunately, it was realized in time that it was the reality and not merely the machinery of cooperation

which was essential and that cooperation does not come to order. The agreement which was reached in the Engineering Industry on 18 March 1942, following a similar agreement applicable to the Royal Ordnance Factories, provided a model for other industries and established cooperation on a basis of consent rather than compulsion.

The scheme agreed in the Engineering Industry was both simple and flexible. The primary purpose of the Committees was stated in general terms as being for 'the regular exchange of views between the management and the workers on matters relating to the improvement of production, to increase efficiency for this purpose and to make recommendations thereon'. It was specifically provided that where other machinery for this purpose, satisfactory to the employers and the trade unions, already existed it need not be superseded. For illustrative purposes the general function of the Committees was amplified as including the discussion and consideration of such matters as the maximum utilization of existing machinery, upkeep of fixtures, jigs, tools and gauges, improvement of methods of production, efficient use of the maximum number of productive hours, elimination of defective work and waste, efficient use of material supplies, efficient use of safety precautions and devices. Fears of the trade unions that the new Committees might tend to supersede or undermine the long-established trade union machinery for settlement of wages and working conditions were allayed by providing that the Committees should not handle such matters and by stipulating that, although all workers should be entitled



to vote in the election of the workers' representatives on the Committees, only trade union members should be eligible for election. Regularity of meeting of the Committees was ensured by a provision that they should meet at least once a month and the workers' representatives were to be paid their time-rate of wages for time spent attending the meetings. The structure of Joint Production Committees was integrated with the regional and national production machinery by procedure for referring matters of difficulty to the Regional Production Boards and even, in case of necessity, to the National Production Advisory Council.

In the United States, Plant Production Committees, although they also played their share in the war production effort and although they were supported by the trade unions, were not so extensively adopted as the corresponding Joint Production Committees in Britain, nor were they so closely associated in their functioning with the trade union movement. In their activities, moreover, more emphasis was placed on propaganda and on bringing home to the individual worker the importance of his job in relation to the war effort. In Britain, perhaps because it was geographically situated nearer to the scene of hostilities and many of the workers had full experience in their homes and factories of the meaning of aerial warfare, these matters were more taken for granted and attention was more directed in the Joint Production Committees to detailed discussion of actual production delays, difficulties and problems.

Such then was the machinery at the national, regional and factory levels for joint consultation on production

problems in war-time and such were the means which contributed notably to the success of national mobilization for a national effort. How far is such machinery capable of contributing to the solution of the equally vital, if possibly less immediate and urgent, problems of production in peace-time?

The tendency in the United States at the moment is far from clear except that a revulsion of sentiment from war-time controls and planning seems likely to sweep away before long not only the remaining war-time Government agencies but even some of their reconstruction successors such as the Office of War Mobilization and Reconversion which includes an Advisory Board of twelve members, all appointed to represent the general public and the public interest, but of whom three are appointed for their experience in business management and three for their experience in matters relating to labour. Whether and in what form joint consultation on production questions in the U.S.A. can or will survive the apparently imminent demise of the special Government agencies dealing with production questions it is difficult to hazard a guess.

In Britain the picture is rather clearer. A National Production Advisory Council and Regional Boards for Industry, representative of Government Departments and of employers' and workers' associations, are to be continued, but with rather different functions to correspond with the requirements of peace-time and reconversion. Their scope will be widened to cover the whole field of productive industry, whereas the war-time organization was mainly concerned with the munition industries.

Their function will be entirely advisory and consultative and the degree of executive authority or of intervention which they, and particularly the Regional Boards, possessed in war-time will disappear. The Chairmen of the Regional Boards have been selected from industrialists, trade unionists and other men of standing in the region, and contact between the regions and the National Council is preserved by these Chairmen being *ex-officiis* members of the National Council. The Chairman of the National Council is the President of the Board of Trade and it includes six representatives of the national employers' associations and six representatives of the Trades Union Congress. Under this procedure, the Government will receive competent and representative advice upon industrial conditions in the regions and upon the steps which are necessary to bring regional resources of productive capacity and of labour into fuller use. Local industry will be kept informed of Government policy and the Government will be kept informed of the views of local industry. The National Council will centralize and co-ordinate the activities of the Regional Boards and advise all Government Departments on general production questions. Not the least of the hopes in connexion with the new machinery is that it will preserve and project into peace-time the spirit of collaboration and cooperation between Government Departments and employers' and workers' associations which characterized the work of the war-time organization.

Meanwhile, from two sources further suggestions for joint consultation at the national level have appeared in Britain which would fill a notable gap in the otherwise

complete arrangements which exist for joint consideration, at all levels, of production questions and conditions of employment and which, if they can be achieved on a basis of agreement, present a prospect of a firmer basis of collaboration between employers and workers on the well-being of industry than has yet been seen. Recently, the General Council of the Trades Union Congress recommended to certain of its constituent trade unions that they should take the initiative in the formation for individual industries of National Production Advisory Committees to include representatives of the appropriate employers' associations in order to deal with production questions in their particular industries and with such matters as recruitment and welfare. The other source from which similar proposals have emanated is the Reports of the Working Parties which were set up by the Government at the conclusion of the war to examine the question of the reorganization of various industries. The Report of the Cotton Working Party, for example, proposes that a Cotton Council should be established consisting of equal numbers of representatives of the employers, the trade unions and independent members and with an independent Chairman, to be the instrument for interpreting the needs of the industry to the Government and vice versa, to prepare reports for Parliament, to initiate and watch over developments in the national interest, to survey machinery requirements and market research.

While such proposals still await final decision as to their acceptance and, in the event of acceptance, as to their success, the future of joint consultation at the factory

level is also undecided. Reports tell of some Joint Production Committees still actuated by the war-time spirit, while in other cases enthusiasm has apparently evaporated. The reasons are not far to seek. The imminent danger and pressing urgency of war-time are no longer present; the national unity, which national perils evident to the eyes of all evinced, has in some measure been dissipated; old suspicions have in some cases been revived. More specifically it can be said that in cases where Joint Production Committees have disappeared or are functioning unsatisfactorily the reason is to be sought in one or more of the following factors :

(a) Management—possibly disappointed with past experience and not sufficiently persistent in its efforts to overcome initial obstacles—has regarded the Committees as something from which no really constructive help can be expected and, at best, as something in the nature of a safety-valve to enable the workers to blow off steam;

(b) Workers—possibly obsessed with views as to the economic control of industry and mistaking the proper means in a democratic system of achieving political aims—have regarded the Committees as an effort to bolster up the efficiency of private industry to which they are opposed and have either withdrawn their active collaboration or have used the Committees as a means of ventilating captious criticism rather than offering constructive co-operation;

(c) Foremen, who bear the main responsibility for direct contact on behalf of the management with the workers and their representatives in the shop,

have resented the superior knowledge of the plans and policy of management gained by the Shop Stewards who usually represent the workers on the Joint Production Committees.

Joint consultation on production questions played an important part in overcoming the perils of war. Only if it is realized that the perils of peace are equally grave, that the rewards of overcoming them are lasting and progressive, that they accrue to the benefit of all, and that they can be achieved only through the united effort of all, is there a likelihood that the lessons learnt in war will be remembered in peace and lasting benefit accrue to mankind.

## *Seventh Lecture*

# THE INTERNATIONAL LABOUR ORGANIZATION

I enter with the more readiness into a discussion in India of the subject of the International Labour Organization in that my knowledge hitherto of her industrial conditions, her industrial difficulties and her industrial aspirations has been derived almost entirely through the International Labour Organization. I speak not so much of the Labour Conventions which the International Labour Conference has passed and some of which India has ratified; I speak not even of the descriptions of Indian conditions and Indian legislation which have been published by the International Labour Office. I speak rather of the personal contacts which over a period of more than 20 years' continuous and active association with the work of the International Labour Organization I have made with the representatives of India, of the intimate talks which in many of the cities of Europe and America I have had with the delegates of the Government, the employers and the workers of your country. I recall with admiration the qualities of mind and character of those representatives, the dignity and impartiality with which some of them have presided over international assemblies, the forcefulness and tenacity with which they have upheld the interests of their own country, the readiness to comprehend the viewpoint of

others which made of them international statesmen. Above all I recall and shall ever treasure the personal friendships with men and women of India which years of collaboration—sometimes resulting in agreement, sometimes resulting only in agreement to differ, but always associated with complete frankness of view—have left as their reward.

The International Labour Organization has its merits and it has its faults and its weaknesses; it has its passionate advocates, its candid critics and its less sincere detractors, but those who state the case for the International Labour Organization tend to underestimate what is perhaps the greatest service it has rendered. Before the days of the International Labour Organization, international negotiation was the monopoly of ambassadors and ministers of state; international contacts of those with the greatest interest of all—their way of earning a living and their standard of life—were the privilege of the few. The International Labour Organization has widened that charmed circle; it has provided contacts not only for Government officials charged in the various countries with the administration of labour laws but for the representatives of those to whom labour conditions are no theoretical problem; it has afforded an opportunity of understanding widely diverse conditions and vastly different national approaches to a common problem which not all that is written can ever hope to achieve. It may not yet be true that to know all is to understand all—perversity and prejudice and stupidity will persist despite all human contacts—but nothing can be understood without knowledge,



and knowledge of human problems demands human contacts.

It is perhaps not necessary here to recall that the International Labour Organization was established as part of the peace settlement by the Treaty of Versailles and the other peace treaties at the conclusion of the 1914-18 war, but it may perhaps be relevant to inquire why the International Labour Organization alone of the international institutions established at that time has survived. The answer is to be found principally in its tripartite character. The organs through which the International Labour Organization acts are the International Labour Conference and the Governing Body, or Executive Committee, of the Organization. Each state is represented at the annual Conference by four delegates, two of whom represent the Government, one the employers and one the workers of the country concerned. The two latter are, it is true, appointed by the Government, but the Government is under obligation in making these two appointments to act in agreement with the organizations most representative of employers and workers respectively in the country. Moreover, the two delegates thus appointed to represent the employers and workers of their country are entitled to speak and vote at the Conference freely, independently and without pressure or instructions from their Government. That is the letter of the Constitution of the International Labour Organization and by many countries it has throughout the 27 years of the existence of the Organization been scrupulously obeyed. The emergence in the 1930's of

dictatorships and totalitarian forms of Government showed that such methods and procedure are the very negation and antithesis of all that the Fascist and Nazi regimes stood for; that the International Labour Organization represented in the international sphere democratic methods and the elementary freedoms for which man had so long fought and which were soon to be so gravely challenged.

The presence in an international assembly which had the power to pass labour legislation—not it is true automatically binding on the various countries but yet imposing definite obligations—of delegates who were free to voice their views even in opposition to their own Government delegates, the practical knowledge which these men and women possessed of the actual conditions obtaining in their own countries, their habit of expressing their views in language which at times was more forceful than diplomatic, above all the developing knowledge that the International Labour Organization was the international centre, by what it stood for even more than by what it did, of the opposition to dictatorial forms of government gave to it a vigour and a vitality which other international institutions lacked and which enabled it to survive while others languished and lapsed into oblivion. I cite but one example and I choose it because of the impression it made on me and the new hope it gave to me as a member of the British Delegation attending the Conference of the International Labour Organization meeting in New York at one of the darkest periods of the war in the early days of November 1941. That Conference, comprising even in those circumstances

the representatives of 33 countries, unanimously declared that 'the victory of the free peoples in the war against totalitarian aggression is an indispensable condition of the attainment of the ideals of the International Labour Organization'. That Conference, with the sole abstention of the Government of Argentina, unanimously declared that 'it is only the victory of free nations, the world over, who are fighting for democracy and for the maintenance of the inalienable rights of man, which can save the world from hopeless chaos'. That Conference, at its final session held in the White House on 6 November 1941—a month and a day before Pearl Harbour and while the U.S.A. was still not a belligerent—heard President Roosevelt say: 'The epic stand of Britain, of China and of Russia receives the full support of the free peoples of the Americas. The people of this country insist upon their right to join in the common defence. To replace Nazi workers shipped to the front and to meet the gigantic needs of her total war effort, Nazi Germany has imported about two million foreign civilian labourers. They have changed the occupied countries into great slave areas for the Nazi rulers. Berlin is the principal slave market of all the world.' These were strong words to come from the President of a neutral country; they gave to those who heard them or read them—and from that category let us not exclude Hitler—the knowledge of where exactly freedom-loving countries, neutral or belligerent, stood and the certainty of how ultimately, whatever the sacrifices and the suffering, the world struggle would inevitably end. The choosing of such an assembly for such a statement is an indication of the

principles embodied in the Constitution of the International Labour Organization. The survival of democracy was the guarantee of the survival of the International Labour Organization.

High ideals and great aspirations are, however, not sufficient tests of an international, any more than of a national, organization. In the time to come the question will arise not merely of what the International Labour Organization has stood for but of what it has done. The fundamental objects of the International Labour Organization are set out in the preamble to its Constitution of 1919 and in the Declaration of Philadelphia adopted by the International Labour Conference holding its 26th Session in that city in 1944. The Preamble to the Constitution is short and can be quoted in full :

‘Whereas the League of Nations has for its object the establishment of universal peace, and such peace can be established only if it is based upon social justice ;

‘And whereas conditions of labour exist involving such injustice, hardship and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperilled; and an improvement of those conditions is urgently required: as, for example, by the regulation of the hours of work, including the establishment of a maximum working day and week, the regulation of the labour supply, the prevention of unemployment, the provision of an adequate living wage, the protection of the worker against sickness, disease and injury arising out of his employment, the protection of children, young persons and women, provision for old age and injury, protection of the interests of workers when employed in countries other than their own, recognition of the principle of freedom of association, the

organization of vocational and technical education and other measures;

‘Whereas also the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries;

‘The High Contracting Parties, moved by sentiments of justice and humanity as well as by the desire to secure the permanent peace of the world, agree to the following’ · and then follows the Constitution of the International Labour Organization.

The Declaration of Philadelphia is lengthier but the following are reaffirmed in it as the fundamental principles on which the International Labour Organization is based :

- (a) Labour is not a commodity;
- (b) Freedom of expression and of association are essential to sustained progress;
- (c) Poverty anywhere constitutes a danger to prosperity everywhere;
- (d) The war against want requires to be carried on with unrelenting vigour within each nation, and by continuous and concerted international effort in which the representatives of workers and employers, enjoying equal status with those of Governments, join with them in free discussion and democratic decision with a view to the promotion of the common welfare.

Two ideas clearly appear—the desire in the interests of humanity and justice, the necessity in the interests of harmony, to raise the standards of labour, and the obstacle to further progress constituted by competition

from countries which have not yet achieved comparable standards. The representatives of many countries have claimed to see some measure of fallacy, if not in these principles, at least in the manner in which it has been sought to achieve them and have pointed out that greater prosperity can come only from greater production and not from all the statutes, international and national, declaring that higher standards shall prevail. The representatives of some of the industrially less advanced countries have from time to time observed that their wholehearted desire is to improve the standards in their countries but that something more material than the declaration of such principles is necessary to assist them in the task; that they are certainly not aided by restrictive barriers against their trade imposed on the ground that their labour is cheap when in fact by any scientific measurement it is dear; that, far from the more advanced countries suffering unfair competition from the less advanced, the contrary is in fact the case; that the standards in the more advanced countries should be higher still and the fact that they are not constitutes an obstacle in the way of the less advanced countries in adopting humane standards of labour. These are matters of vital concern to a country such as India and, on the whole, the International Labour Conference has been not unwilling to recognize the special difficulties and the peculiar position of India. Its consideration of the position of the Far Eastern countries, however, tended at times to be overshadowed by the spectre of Japanese competition. The projected Asiatic Regional Conference of the International Labour Organization for which a Preparatory Committee is meeting in

Delhi next year should, however, provide an opportunity of clearing up any misunderstandings and of giving full consideration to the special needs and problems of India within the framework of international labour legislation.

The two methods by which the International Labour Organization has sought to achieve the purposes with which it is charged, of removing inhumane conditions of labour and of raising labour standards, have been propaganda and international labour legislation. Methods of propaganda have been diverse; they have included the educative effect of the personal contacts to which I have already referred; they have included publication of the principal labour legislation and regulations of the various countries; they have included the publication of factual accounts—and some slightly more coloured—of labour conditions throughout the world; they have included the collection and publication of labour statistics on a uniform basis. On the whole the work of propaganda has been reasonably well done and has not excited more than might be expected of charges from one side or another of bias.

The method of international labour legislation, which in the minds of many is the principal instrument of the International Labour Organization, has been less uniformly successful. In the discussions which preceded the establishment of the Organization, much thought was devoted to the nature of the measures by which it would record and seek to establish standards of international labour legislation. At one time it was seriously proposed that International Labour Conventions once adopted by some requisite majority of votes in the International Labour Conference should have automatic and binding

force in the territory of all member states. Such proposals can possibly now be regarded as only visionary; they were certainly in advance of their time. They involved surrender of rights of national sovereignty with which states still show no sign of willingness to part; they involved also the existence of a degree of international confidence in the honouring of international obligations which has not yet emerged. At the other extreme, there were those who thought that the International Labour Conference could not go further than to recommend to the various states the measures of labour legislation they should adopt and the social policy they should pursue. In the end an ingenious compromise was achieved and one which, if it had been operated as was its undoubted original intention, might have proved an outstanding success. International Labour Conventions, it was decided, once they have been adopted by a two-thirds majority of the International Labour Conference, shall not be automatically binding. Each state, however, which is a member of the Organization is required within one year (or, in exceptional circumstances, eighteen months) to bring the Convention before 'the authority or authorities within whose competence the matter lies, for the enactment of legislation or other action'. If the Convention 'obtains the consent of the authority or authorities within whose competence the matter lies' the state is required to communicate its formal ratification and also to 'take such action as may be necessary to make effective the provisions of such Convention'. Further, each country which ratifies a Convention is required to make an annual report to the International Labour Office on the measures



it has taken to give effect to the provisions of the Convention. These annual reports are examined by a Committee of independent experts—a Committee in the membership of which I have the honour to participate along with that distinguished Indian, Sir Atul Chatterjee—and the Report of the Committee of Experts is submitted to the annual International Labour Conference. This would appear to be an ingenious compromise between the visionary ideal of automatically binding international labour legislation and the ineffectiveness of mere pious recommendations. What then are the reasons why it has not been entirely successful? It has not been a failure, for much of the international labour legislation has been wisely drafted, widely ratified and effectively applied, but we would do the International Labour Organization no service by maintaining that it has been in all regards an unqualified success.

There is a first preliminary difficulty for which no real solution has yet been devised. International Labour Conventions when ratified by Governments are international obligations for a period of years which the ratifying Government undertakes to enforce within its territory, and to do so implies legislation. For many subjects of labour conditions, legislation is the normal means adopted but for some subjects, in some countries at least, as I have endeavoured to emphasize in an earlier lecture, there is a deeply rooted tradition of collective bargaining. Some countries therefore, where labour conditions are most advanced, have been under the necessity of opposing the adoption of Conventions which in their own countries would have entailed the super-

session of collective bargaining by state regulation of conditions of labour. The International Labour Organization has long endeavoured to solve this fundamental problem and indeed the session of the International Labour Conference which met at Seattle this year to deal with maritime labour questions has attempted a solution of which the results in practice will be interesting to note. The two real questions, however, which were stated in the Report of the Committee which in January and February of this year considered the amendments necessary to be made in the Constitution of the International Labour Organization remain unanswered:

‘How far can the State assume responsibility for a collective agreement, as a basis for the acceptance of precise international obligations for a substantial period of time, without destroying the freedom of relations between employers’ organizations and trade unions and the adaptability to changing conditions which have been the outstanding features of the system of collective agreements? Conversely, how far can international labour Conventions be made more flexible in content and open to reconsideration at frequent intervals in the same manner as collective agreements, without destroying the reciprocity of precisely defined obligations for fixed periods which has been the characteristic feature of the Convention system as it has operated hitherto?’

A second difficulty arises from the position of states with a Federal constitution. Such states are of course represented at the International Labour Conference by delegates appointed by the Federal Government and these delegates cast their votes for Conventions on subjects many of which lie outside the competence of the Federal authority and within the competence of the constituent

units of the Federal states. In recognition of this limited competence of Federal states, they are specially empowered by the Constitution of the International Labour Organization to treat such Conventions as mere Recommendations and are not subject to the precise legal obligations which fall upon unitary states in dealing with Conventions. It is not therefore surprising that it has been alleged at times that the votes of Federal states have unfairly imposed obligations upon the unitary states to which the Federal states have not themselves been subject.

More fundamental difficulties arise, however, from the interpretations which have been applied to the obligations resulting from the adoption of International Labour Conventions by the Conference. The obligation is to bring the Convention before the authority within whose competence the matter lies for the enactment of legislation or other action. The implication and intention of this clearly were that, although the delegates at the Conference could not bind their respective Parliaments, the Government would—unless the country's legislation was already in conformity—bring the Convention before Parliament and endeavour to get it to pass the necessary legislation or, at least, leave the matter to a free vote of that body. The practice has been quite different. Apart altogether from cases where Governments have done nothing at all to implement their obligations, some states have contended that the Government itself is the authority within whose competence the matter lies and it is for it to decide whether or not to bring the Convention before Parliament and, if so, for it to decide whether

or not Parliament shall be urged to pass legislation or to disapprove the Convention. Although the exercise by a Government of pressure upon Parliament may be quite consistent with democratic rule and an essential element in responsible government, this interpretation of the obligation involved has meant that in effect an International Labour Convention is little more than a mere recommendation and an expression of pious hope. There have also been cases where states have formally ratified Conventions and have done nothing to put their legislation into conformity with its terms. Even more difficult, however, in the sense that it is more difficult of international supervision, is the question of how far states which have passed all the necessary legislation are in effect applying and enforcing that legislation. This latter difficulty has even given rise to proposals in recent years for the appointment of an international labour inspectorate to supervise the practical application of ratified Conventions and so supplement the work of the Committee of Experts on the Application of Conventions which has necessarily largely been confined to supervision of conformity of national legislation with the terms of International Labour Conventions.

These defects in the instrument of the International Labour Convention have by no means destroyed its utility but they have had two unfortunate effects. First, they have tended in some degree at least to lessen the respect for the binding character of international agreements and obligations. Secondly, they have operated unfairly in that the votes of states which have a lesser degree of obligation under the Constitution of the Inter-

national Labour Organization, or who have differently interpreted their obligations, or who have even ignored their obligations entirely, have imposed requirements of an onerous nature upon states who have considered these obligations as of a more exacting nature and have observed them strictly. As an indication of the extent of one aspect of this problem it may be useful to quote from figures prepared by the British Employers' Delegate, Sir John Forbes Watson, and published recently by the International Labour Office. These figures showed that at that time 67 International Labour Conventions had been passed; that 63 countries either were or had at various times been members of the International Labour Organization; that 32 of these countries, containing 80 per cent of the world's population, had each ratified less than one quarter of the Conventions and 12 of them had ratified none; that the Government delegates of 4 countries had voted at the Conference for 40 or more Conventions none of which had subsequently been ratified by their country; and that the Government delegates of a further 12 countries had voted at the Conference for over 30 Conventions none of which had subsequently been ratified by their country. In these lists of merit (Conventions ratified) and demerit (Conventions voted for but not ratified) both Britain and India occupy relatively meritorious positions. Britain with 34 Conventions ratified takes first place in the list of merit, and with 13 Conventions voted for but not ratified 45th place in the list of demerit. India with 15 Conventions ratified and 10 voted for but not ratified takes 33rd place in the order of merit—a position which if somewhat lowly is fully compensated

for by honesty in achieving 51st place in the order of demerit.

If I may speak for a moment as one who has attended as a member of thirteen International Labour Conferences, I may say that I well understand the feelings of a delegate who votes for a Convention. The enthusiasm, the cheers, the applause as the figures are announced, the popularity personally achieved by those who are responsible for the happy event of the birth of a new International Labour Convention may well cause many a delegate to follow the easy path, the more so if he knows that from that day onwards neither he nor his Government need give another thought to the subject. That, however, is the way that disillusionment lies and it would have been far better that certain International Labour Conventions had never been passed than suffer the fate they have. He who raises false hopes may bear a heavy responsibility. It is clearly necessary for the health of the International Labour Organization that there should be a greater sense of responsibility on the part of all delegates and especially Government delegates in voting on Conventions. They must realize that their votes are the first stage in a serious legislative process and must not confound the legislative with the propaganda functions of the International Labour Organization.

In proposals for the revision of the Constitution of the International Labour Organization which are in process of adoption a serious effort has been made to clarify the duties resulting from the decisions of the International Labour Conference and to equalize as between states the obligations. For more than a quarter of a century

the International Labour Organization has operated with scarcely a change in its Constitution. The dissolution of the League of Nations, with which the Organization was organically linked in its finance and in other respects, and the establishment of the United Nations clearly necessitated at least formal changes in the Constitution and the opportunity has been taken to review the Constitution as a whole, not to pull down the edifice and build afresh, but to patch a few weak points in the structure and to instal a few modern conveniences. In the process of this revision and the establishment of the necessary organic links with the United Nations, and particularly the Economic and Social Council thereof, there has arisen a problem of vital importance for the future of the International Labour Organization—the attitude of Russia towards it and its work.

Russia was for a number of years prior to the outbreak of the late war a member of the International Labour Organization in virtue of her membership of the League of Nations but that terminated in circumstances which no useful purpose would now be served by examining. Russia has so far shown no inclination to accept the renewed membership of the International Labour Organization which has been proffered to her. The reasons for that unwillingness have not yet been divulged but rumour has it that Russia regards the International Labour Organization as undemocratic. It is true that the tripartite nature of representation is not in accord with the Russian economic system but that did not debar Russia in the past from sending a delegation to several sessions of the International Labour Conference, including on more



than one occasion an employers' delegate. Whatever the reasons for Russia's abstention, it is to be regretted that the Organization should lack the collaboration of a state of such industrial importance and it is to be hoped that before long she will see fit again to take the place which remains open to her.

In another way, however, with which Russia is intimately associated, important questions arise for the future of the International Labour Organization. These concern the relationship of the Organization to the Economic and Social Council of the United Nations. Formal agreement on this matter has now been reached and for that happy result no small measure of credit is due to the skill, goodwill and tact of Sir Ramaswami Mudaliar, the President of the Economic and Social Council of the United Nations and the Chairman of the Committee of the Council which negotiated the agreement with the representatives of the Governing Body of the International Labour Office. That agreement provides for collaboration where there might with disastrous results have been uncoordinated effort and rivalry, and puts an end to a period of uncertainty which reached a climax during the United Nations Conference on International Organization at San Francisco when persistent and strenuous efforts by the British Government representatives to have it laid down in the United Nations Charter that relationship should be established with the International Labour Organization were consistently and successfully opposed by the delegates of Russia.

The agreement, however, is but a framework which must be filled in by practical measures over the years



to come and it will be only natural to expect that as long as Russia remains outside the International Labour Organization her preference as an instrument for international collaboration in the social field will be the Economic and Social Council. One of the greatest sources of strength of the International Labour Organization in the past has been the unqualified support it has received from organized workers and from their international organization, the International Federation of Trade Unions. That Federation has now been superseded by the World Federation of Trade Unions which includes within its membership two important national trade union centres which are unconnected with the work of the International Labour Organization—the All-Union Central Council of Trade Unions of the U.S.S.R. and the Congress of Industrial Organizations of the U.S.A., the representation of the U.S.A. workers in the International Labour Organization taking place through the American Federation of Labor which is not a member of the World Federation of Trade Unions. The influence, therefore, of these two bodies within the trade union movement may also tend at times to divert questions towards the Economic and Social Council and it is worthy of note that the World Federation of Trade Unions has recently reached agreement for establishing consultative relationship with the Economic and Social Council.

There is ample work for both the Economic and Social Council and the International Labour Organization and it can be better done in collaboration than in competition. The work of the International Labour Organization in the field of labour relations and labour conditions is an out-

standing example of the success which can be achieved by bringing into collaboration on a footing of equality those upon whom in the final resort success depends. Its future depends—as indeed all else in the field of industrial and international relations—on the willingness of people and of peoples to cooperate for the advancement of democratic methods and human well-being.

At the conclusion of this short course of lectures, I would remind you—as Sir Jehangir Ghandy did at the outset—that they are delivered in honour of the memory of Dr Charles Page Perin. For one who, like myself, did not know him during his life, it would be presumptuous to speak of his qualities in the midst of an audience to many of whom he was a personal friend. In the last few weeks, however, I have had an opportunity of seeing something of the results of his work here in Jamshedpur. What better tribute can be paid to any man than to be able to say of him, ‘In his work you will find his monument,’ and to what man would such a tribute be more fitting than to Dr Perin?

My thanks are due to the Tata Iron and Steel Company for inviting me to visit India and deliver these lectures. They are due also to many others who have contributed to the pleasure and instruction I have derived from the visit—to Sir Jehangir Ghandy and his colleagues in the management of the Company who have presided at my lectures, to the Tata Workers’ Union, its President, Professor Bari, and its General Secretary, Mr John, to the officers and officials of the Companies in Jamshedpur and of the Town Administration who have shown me the town and its industries, to the audience who

have accorded me so courteous and patient a hearing, to the others—far too many to mention by name—who have entertained me, who have asked me questions and who have so readily answered mine.

I conclude by wishing the Tata Iron and Steel Company and the Tata Workers' Union continuing prosperity to the greater benefit of Jamshedpur and of the new India. I do not know whether, in the course of these lectures, I have been able to convey to you much of what I believe to be the spirit of industrial relations, but I shall have conveyed to you almost all there is to be said if I have shown to you the grounds for my belief that there is no inconsistency in coupling the names of your Company and your Union in wishing ever-increasing prosperity to both.







